ON COURSE **FPI LIMITED ANNUAL REPORT 2003**

FROM OCEAN TO TABLE

FPI Limited is On Course to unlock value. We have set our direction for growth. We have made considerable operational and marketing investments. We are benefiting from the momentum of these initiatives. We are forging ahead through challenging markets and remain committed to enhancing value for our customers and shareholders.

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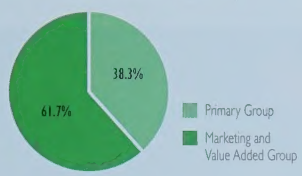
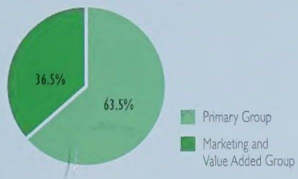
GROSS PROFIT (segmented)



ASSETS (segmented)



CONSOLIDATED EARNINGS PER SHARE

* Earnings per share have been reduced by $11.2 million ($0.56 per share) for provisions recognized in the fourth quarter of 2003.

FINANCIAL HIGHLIGHTS[1]

dollars in thousands, except for per share data and statistics	**2003**	2002
Operations		
Sales	**$ 758,943**	720,079
Cost of goods sold	**676,355**	635,773
Gross profit	**82,588**	84,306
Commission income	**4,981**	4,225
	87,569	88,531
Administrative and marketing expenses	**51,293**	51,323
Amortization	**11,619**	9,877
Interest	**8,059**	5,797
Provisions[2]	**11,204**	-
Income before income taxes	**5,394**	21,534
Income taxes	**3,733**	7,763
Net income	**1,661**	13,771
Return on shareholders' equity	**0.9%**	7.0%
Financial Position		
Assets	**410,518**	387,498
Shareholders' equity	**185,250**	200,958
Current ratio	**1.8:1**	1.9:1
Inventory turnover	**4.9 times**	4.7 times
Long-term debt (net of current portion) as a % of capital structure	**34.2**	21.7
Cash Flows		
Cash provided by operating activities	**17,778**	5,912
Additions to capital assets	**66,223**	26,646
Repayment of long-term debt	**53,440**	11,523
Issue of long-term debt	**95,445**	14,460
Repurchase of common shares	**455**	67
Dividends paid	**3,079**	2,771
Shareholder Statistics		
Share price		
High	**9.00**	10.10
Low	**8.00**	7.00
Close	**8.55**	8.00
Weighted average number of shares outstanding (000s)	**15,392**	15,395
Earnings per common share	**0.11**	0.89
Other Information		
Number of active plants	**10**	10
Number of active vessels	**12**	21

Note (1): Reference should be made to the Company's consolidated financial statements, and notes thereto, contained herein.
Note (2): Provisions consist of a $6,133 provision for fleet rationalization and a $5,071 provision for pension curtailment and other assets.
Note (3): Certain amounts for 2002 have been reclassified to conform with the presentation adopted for 2003.

FPI is a leading supplier to the North American *Away From Home* market. From casual and family dining to white table restaurants, FPI is committed to delivering customized seafood solutions; building our business by helping our customers grow theirs.

FPI Limited ("FPI" or the "Company") owns and operates a seafood business engaged in harvesting, processing, global sourcing, and marketing a wide selection of quality seafood products.

FPI operates along two business units, the Marketing and Value Added Group and the Primary Group, each working to maximize value and brand equity at every stage of the product process – from ocean to table. With our vast knowledge and keen vision of the seafood business, we are a leading supplier to our markets. Our seafood harvesting and processing operations are among the most technologically advanced worldwide, and our culinary innovation is second to none in the industry.

The Marketing and Value Added Group manages the Company's value added processing operations, global seafood sourcing, culinary research and development, and North American sales and marketing. This Group operates two processing facilities: one in Burin, Newfoundland and Labrador, and the other in Danvers, Massachusetts. This Group is organized along two key market sectors – *Away From Home* and *At Home* – and markets value added, primary, and globally sourced seafood through a direct sales force (major offices in Danvers, Seattle, Toronto, and Montreal; and regional offices throughout North America) and an extensive broker network in the United States ("U.S.").

The Primary Group manages the Company's harvesting, primary processing, and international sales and marketing. This Group operates along five key product categories: groundfish, crab, sea scallops, cooked and peeled coldwater shrimp, and offshore shrimp. The Primary Group has eight processing plants in Newfoundland and Labrador and a fleet of groundfish, coldwater shrimp, and scallop vessels, and vessel service centres in Newfoundland and Labrador and Nova Scotia. This Group markets seafood to customers internationally through offices in Canada, the United Kingdom ("U.K."), Germany, and Asia.

FPI's culinary innovation is second to none in the industry. In 2003, FPI developed UpperCrust™ Natural Cut Fillet Entrées. Test marketed with very positive results, this line offers superior quality, trendy flavour profiles, and requires minimal preparation.

MESSAGE FROM THE CHAIRMAN OF THE BOARD

I am pleased to report on behalf of the Board of Directors (the "Board") of FPI. This past year, the Board actively established the foundation for progressive change throughout the entire organization. From approving capital investments for the Company's long-term competitiveness, to continuing to ensure that Board policies reflect current corporate governance practices, 2003 was a year of substantial progress. While we are all disappointed with our financial performance for 2003, the Board approved significant events during the year that will position the Company to achieve strategic objectives in the future.

Committed to independent, proactive, and cost effective corporate governance, the Board set a policy in 2003 to address rotation of directors and determined it would be in the Company's interest to decrease the size of the Board. If approved at the Annual and Special Meeting of FPI shareholders in May, the range of Board size will be reduced to a minimum of nine and a maximum of 15 directors. Based on this motion being successful, a number of directors will be stepping down from the Board.

I would like to thank all the directors of the FPI Board for their service to the Company. Since May 2001, they have been instrumental in setting the strategic direction of FPI. This has been a very active time in the Company's history; an eventful time for corporate Canada in our ever-changing governance environment; and, undoubtedly, a time when our directors with their professionalism and expertise have been invaluable to FPI.

Also in 2003, the Board increased FPI's quarterly dividend to five cents per share and established a process to regularly review the Company's dividend policy. While this is a modest start, as the Company experiences improved financial results, the Board is committed to enhancing shareholder value for your financial commitment to FPI.

Following 2003 Board approval of the significant capital investments for FPI's primary processing and harvesting operations in Newfoundland and Labrador, the Board closely monitored the project's developments. At the onset of the investment, the Board set clear goals for management. While we have faced some delays in achieving these goals, we remain confident that revitalizing these operations was the right business decision. As well, these investments were vital for the future success of the Company's Primary Group.

The Board will continue to oversee management's progress in 2004 with our primary goal, as always, to enhance shareholder value. We anticipate the finalization of establishing FPI into two independent business units – the Marketing and Value Added Group and the Primary Group. We will continue with our efforts to implement progressive corporate governance practices. Together with management, we will build on the successes that have been achieved to date, with the goal of enhancing value for all FPI stakeholders.

Rex C. Anthony
Chairman of the Board

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

In 2003, FPI faced a weaker U.S. economy, increased international competition, and a rapidly appreciating Canadian dollar; and we responded by staying focused on innovation and modernization. The first half of 2003 was a difficult financial and operational period for the Company, as our results clearly showed. Although this was a great disappointment for us, we had a clear plan; and by the second half of the year, the Company started to perform at a more acceptable level. While we did not meet our financial objectives for the year, I believe we have made FPI a better, stronger company by staying focused on our strategic plan.

Our plan was to build a market leader in the North American seafood sector by being not simply a seller of seafood, but also an innovator, creating exciting seafood products and providing our customers with value added service to grow their businesses. Our plan was also to create a modern, efficient fishing business that could be competitive even with low wage, low cost international operators by using leading edge technology. While we were not satisfied with our consolidated financial performance for the year, we do feel that transforming the Company into a North American market leader and a competitive fishing business were two very significant successes.

FPI delivered more seafood to more customers in 2003 than ever before. We had record revenues of $759 million and a 9% increase in tonnes shipped. We accomplished this in a difficult market and faced a very unfavourable Canadian and U.S. dollar exchange rate translation. We positioned the Company for further growth by investing roughly $57 million to modernize our primary plants and fleet. We also invested considerably in our marketing and sales efforts, as evidenced by a number of initiatives including an impressive national retail/club launch of the Margaritaville® Shrimp line throughout the U.S. These investments are designed to improve margins either by building on brand equity or by reducing costs. Clearly, the objective for 2004 and beyond is to focus on profitability and achieve a return on this past year's investments and business growth.

This past year's audited financial results also included $11.2 million of significant events that were charged in the fourth quarter, which resulted in reported earnings of $0.11 per share, in accordance with Generally Accepted Accounting Principles ("GAAP"). With the impact of these significant events excluded, while not a GAAP measure, our earnings per share would have increased by $0.56 per share.

While these charges were necessary and negatively impacted our results, we were, nevertheless, encouraged by the second half results excluding these items. During the second half of the year, we posted much better financial operating results, with improved margins and increased volumes. We have made significant improvements in both our products and operations, which will allow us to continue this trend into 2004.

An ongoing issue we will have to strive to manage, however, is the strengthened Canadian dollar, which has two effects on our business. Firstly, we have the conversion of our U.S. business into Canadian dollars, the currency in which the Company reports its financial results. Unlike prior periods where the Canadian dollar was weaker, in 2003 foreign exchange translation reduced earnings figures.

FPI Limited senior executives, from left to right: Derrick Rowe, Chief Executive Officer; Rex Anthony, Chairman of the Board; and Bernard Beckett, Chief Financial Officer.

Secondly, in our Canadian business, a majority of our costs are paid in Canadian dollars, but many sales are made in other currencies. Most material to FPI, of course, is our sales denominated in U.S. dollars. At current Canadian and U.S. dollar exchange rates, this applies predominately to our Primary Group products. Our recent investments in modernizing this Group's operations continue to reduce production costs and improve efficiencies. This is precisely what is required to adapt to this business challenge, to be competitive, and to produce acceptable returns. However, should these exchange rate levels continue, returns on these capital investments will be reduced from what was originally anticipated.

To best understand FPI's business and discuss the year's results, we need to look at our two major business units. They are the Marketing and Value Added Group, a food company that specializes in seafood, and the Primary Group, our fishing business. Each has its own unique challenges and achievements and each has its own strategic plan and objectives, but both serve the parent company, FPI Limited.

THE MARKETING AND VALUE ADDED GROUP

The Marketing and Value Added Group was given the objective of clearly establishing itself as the market leader in the seafood sector for North America. Its mission was to develop interesting, innovative seafood products that would attract new customers and help existing customers grow their businesses. The plan for 2003 was to grow our foodservice business, first in the commodity area, and to then introduce new products that were enjoyable to eat and profitable to serve. We also set out to develop our retail/club business with high quality, higher price point, and higher margin offerings. Our goal was to do this while maintaining our traditional business and modestly growing our earnings.

In the first half of 2003, the Marketing and Value Added Group found itself faced with a weaker U.S. economy, the worst U.S. restaurant business the industry had experienced in 30 years (as measured by CREST market data), and a major reduction in volumes by one of our largest distributors. While the targeted increase in new offerings and growth were clearly accomplished and were even more successful than we had anticipated, traditional business volume and margins were not maintained and actually deteriorated in the first half of the year. This resulted in reduced earnings and volumes in the higher margin part of our business in the first half of 2003. These factors, while clearly disappointing from a financial perspective, only served to reinforce our commitment to differentiate ourselves in the market, develop unique products for the foodservice sector, and build our retail/club business to better balance our sales mix and hedge against future economic trends beyond our control.

We responded to market conditions by developing a closer relationship with our end-user accounts and by adding more direct sales people. We responded by adding new culinary capabilities and partnering with customers to provide menu solutions to grow their businesses. We responded by developing more innovative products for the foodservice sector, such as our new UpperCrust™ Natural Cut Fillet Entrées. We responded with the launch of Margaritaville® Shrimp, our biggest retail/club product launch in the history of the Company.

With these initiatives in place, by year end we recaptured the lost foodservice groundfish business, had one of the hottest retail/club seafood products in the U.S., and made significant inroads towards establishing a sales and product mix that is less susceptible to economic cycles. Along the way, the Marketing and Value Added Group continued to make responsive management changes. As a result, we now have a world-class food company executive team in place. We are even more convinced that we are on the right course, and we expect to launch additional retail/club and foodservice products in 2004.

THE PRIMARY GROUP

The Primary Group was given the objective of modernizing all aspects of its business and positioning itself to compete with low cost producers from around the world by using advanced technology and superior processes. This fundamental restructuring of the business encompasses all steps of the process, from the way we catch our seafood, to how we process it, to how we package and prepare it for market.

We focused our investments in the areas of the business where we own quotas of raw material and can control our costs from trawler to finished product. Our plan for 2003 was to rapidly change the very way we approached our groundfish business from a wet fish operation to a frozen-at-sea ("FAS") process. We also benchmarked all our shellfish operations and set the objective to be among the best operators from a yield and productivity perspective.

To achieve these goals, we established an aggressive schedule and operational targets for the first quarter of the year. We faced some delays due to harsh weather conditions, industry-wide shutdowns, and longer-than-expected learning curves in implementing the new processing machinery and equipment. However, by staying focused, carefully measuring and modifying our processes, and educating our workers and management, we had reached the initial targets by the second half of the year and enjoyed better productivity and reduced costs.

The stronger Canadian dollar was also a major challenge to the Primary Group in 2003, thus inhibiting our ability to reach targeted returns on investment. In 2003 alone, with the Primary Group's groundfish products almost exclusively sold into the U.S., we experienced a 22% reduction in the effective comparable selling price over 2002, due primarily to the strengthened Canadian dollar. Despite these challenges, we now have a profitable groundfish business; and had we not modernized the business when we did, it would be under great financial pressure today. We still have some very real challenges to face in our cod business, where we do not have our own supply of raw materials. However, in the other groundfish operations where we have our own quotas, we are optimistic that we can improve on productivity, yields, and costs, which we expect to produce acceptable returns in 2004.

The Primary Group is now equipped with the tools to compete and the experience of last year to build upon. FPI now has a world-class fleet and some of the most modern plants to be found anywhere in the world. Getting these assets to deliver the returns on the investment will be the challenge for 2004.

CORPORATE ACTIVITIES

A major accomplishment within the Corporate Group in 2003 was debt restructuring, with all the Company's long-term debt being restructured on more favourable terms. Through the use of interest rate swap agreements on refinanced floating rate debt, which are in place for the next five years, the Company effectively now has fixed rate debt on all its major assets, providing FPI with more certainty on its financing and freeing-up additional cash flow.

We remain fully committed to the separate functioning of the Marketing and Value Added Group business and the Primary Group business and have seen real improvement in the underlying operational performance and accountability of each group. As such, the Corporate Group will continue to shrink and become true managers of treasury and investment functions, versus a centralized operational group. Going forward, the Corporate Group's role will be to oversee a structure that provides operational excellence and enhances shareholder value.

FUTURE DIRECTION

The task for 2004 will be to further increase the competitiveness of the Primary Group business and to further unlock the growth potential of the Marketing and Value Added Group business. This will be crucial to delivering the potential that management believes exists in this company.

We must continue to drive operational efficiencies within our Primary Group and get the returns we require on our capital investments, recognizing there is limited growth available for the Primary Group. We will actively seek acquisitions or investments, but our focus will be on areas where we can own quotas and control our costs. We will also seek partnership relationships where we can leverage our expertise and infrastructure.

The Marketing and Value Added Group must grow to reach its full potential. The demand for seafood is continuing to increase with no category leader in the industry to take advantage of that opportunity. Seafood is the last major protein that has not been consolidated and is one of the fastest growing proteins in the market. The Marketing and Value Added Group has clearly established itself as the leader to date; and we must find ways to let it grow, create value, and unlock what we feel is a hidden value in the FPI structure.

I would like to thank the many FPI employees who worked so hard to improve this company in 2003, and I know I can count on them to follow through with equal focus and dedication in 2004. Together, we will face the industry's competitive challenges. Together, we are On Course to increase value for you, the shareholders of FPI.

Derrick H. Rowe
Chief Executive Officer

In 2003, FPI introduced Margaritaville® Shrimp to the U.S. *At Home* market with tremendous success. FPI's biggest ever retail/club launch, the product line is a strong platform for further development and expansion in the *At Home* market and is already one of this market's hottest seafood products in the U.S.

In 2003, the Marketing and Value Added Group continued the successful implementation of our strategic growth vision based on market leadership through innovative, customer-focused products and programs. In a highly fragmented U.S. $30 billion North American seafood category where hundreds of commodity suppliers compete, we have continued to capture market share from our competition.

CONSOLIDATED PERFORMANCE

I'm pleased to report that in 2003 we increased our leadership position through a strong commitment to value differentiation. This focus was key to growing the Group's sales by 7% over 2002, as reported in Canadian currency. U.S. sales, representing 76% of the Group's total sales, grew by 8% over 2002, while Canadian sales grew by 5% over the same timeframe. The impact of the exchange rate on the U.S. dollar profoundly influenced reported growth for the Group. Factoring out the impact of currency exchange, growth for the Group was up 18% in 2003.

This overall performance is impressive, especially considering the challenges posed by both the Canadian and U.S. markets. Within the U.S., the combination of a soft economy, uncertainty surrounding domestic security, rising unemployment, and international conflict had a negative impact on consumer confidence. Within Canada, a media focus on SARS, Mad Cow Disease, and West Nile Virus all impacted tourist and resident-based purchasing behaviors. These market factors had a profound impact on discretionary spending in our North American markets.

Despite these issues, we increased sales levels through a focused sales and marketing effort, targeting account leaders within high growth channels. Within the U.S. and Canada, we targeted both the *At Home* club store market and the *Away From Home* casual dining restaurant channel. Both offer FPI tremendous growth platforms and outlets for strong margin products and programs.

While the Group's year end sales performance was strong, our first half profit margins were below our original forecasts, primarily a result of market and internal forces. Select chain commitments on higher margin value added items were slow to materialize, reducing our top-line growth and impacting profit performance. Opportunities within lower margin commodity species arose, providing strong long-term margin dollar potential, but reducing short-term margin percentages.

These opportunities are reflective of a pronounced market shift away from more heavily value added products toward minimally processed items. In the second half of 2003, the Group responded to this market opportunity and high margin value added sales were recaptured with new products.

Internally, delays with the installation of a new, more efficient fryer system in Danvers resulted in production lags and lost efficiencies for the Group. In order to meet sales opportunities and commitments, we turned to outsourcing production, which inevitably resulted in higher costs and lower margins.

The second half of 2003 bore the fruits of our investment in new field sales and marketing personnel. Achievements included launching our FPI Beer Battered seafood line, entrenching our Margaritaville® Shrimp portfolio within the club store channel through a successful promotional campaign, and solidifying new relationships with industry chain leaders. All of these initiatives resulted in an improved top and bottom line, reflecting our ability to sell higher margin value added products. Internal operations were streamlined and capital investments

"Our broad product portfolio, commitment to culinary innovation, superior production and sourcing capabilities, improved operations, and focused marketing and sales provide our customers value, supporting our target of seafood category leadership."
– *Kevin Murphy, Chief Operating Officer*

were accelerated to meet market opportunities. Furthermore, the second half of 2003 presented a stronger economic operating environment, a stabilizing consumer confidence level, and a rebounding of restaurant traffic counts.

THE MARKETING AND VALUE ADDED GROUP'S SALES CHANNELS

Away From Home refers to food prepared outside the home. Customers are supported by three distinct FPI sales channels.
1. National Account Sales: Large national chain restaurants
2. Foodservice Sales: Through distributors to smaller chains and independent operators
3. Commodity Sales: Non-value added products marketed to specialty distribution, chain foodservice, and specialty retail markets

At Home refers to food that consumers prepare in the home. Our customers in this sector include supermarkets, specialty retailers, and club stores.

Ingredient Sales refers to seafood components and raw materials sold to other manufacturers for end use in the *Away From Home* and *At Home* markets.

Performance within the U. S. and Canada varied, driven by market and consumer specific issues, as well as individual strategic initiatives.

U.S. OPERATIONS PERFORMANCE

Despite the worst restaurant industry conditions in over three decades, our U.S. gross sales increased 10% in the *Away From Home* market, fueled by a commitment to customer-focused value adding. The Group's *Away From Home* market includes sales through our national account, foodservice sales, and commodity sales channels.

Targeting high growth casual dining chains, FPI's national account channel led *Away From Home* sales growth, up 30% in 2003. Relationships with new chain customers such as Outback Steakhouse, Rock Bottom Restaurants, and Ruby Tuesday's were established, while existing accounts such as Bob Evans and Applebee's were further developed.

Servicing the non-commercial, independent, and regional chain operators through impact distributor sales, our foodservice sales channel volume declined slightly, down 4% in 2003. However, sales to our largest strategic customer, a market share leader in foodservice distribution, were up 13%.

FPI's commodity sales channel also realized impressive growth in sales, up 14% through a renewed focus on leading broadline distributors, controlling access to much of the *Away From Home* marketplace.

Within the U.S., seafood consumption generally does not significantly fall with economic downturns, but rather purchasing trends shift from the *Away From Home* market to the *At Home* market. Thus, in 2003, faced with a challenging economic environment, the Group made a strategic decision to focus on developing the *At Home* opportunity, thereby diversifying our sales mix and protecting against future economic downturns.

Our efforts have paid off, and FPI is quickly becoming a powerful force in the *At Home* market. The tremendous success of our Margaritaville® Shrimp in a number of major club store chains throughout the U.S. provides a strong platform for further development and expansion in the *At Home* market. In 2003 alone, our club store sales volume grew by 71%. Efforts are already underway to expand Margaritaville® Shrimp to the Northeastern grocery marketplace, providing significant sales and growth opportunities. Not only does the *At Home* market provide FPI with a relatively untapped sales opportunity, it also provides margin enhancement.

Finally, our ingredient sales channel more than doubled its sales in 2003, reflective of a renewed focus on strategic supply chain partnerships delivering premium seafood components and meal solutions. Working with leading branded suppliers, FPI has built a strong foundation for ingredient sales growth.

From a sales standpoint, we posted impressive gains on salmon and king crab in 2003. Also, an additional marketing agreement helped drive lobster volume opportunities in both the chain and independent restaurant markets. While we had stronger access to this commodity in 2003, overall sales were less than expected. Efforts are underway to develop this category in 2004.

CANADIAN OPERATIONS PERFORMANCE

Within our Canadian operations, while total sales were flat compared to 2002, *Away From Home* sales grew by 6% in the sluggish Canadian *Away From Home* marketplace. Our growth was realized through a focus on leading chains and leading broadline distributors. Customized chain promotions with Swiss Chalet, Earl's, Prime Restaurants, and others launched in the first and second quarters helped to further entrench FPI as the recognized leader in this channel. Overall, our national and large regional account volume was up 25% versus 2002, in spite of a restaurant marketplace weakened by the negative impact of SARS on consumer spending. Ontario, Canada's largest *Away From Home* marketplace, was most affected by this issue, with tourism down dramatically in 2003.

Sales within the *At Home* channel, 9% of the Group's total revenues, were down 3% in 2003. Much of this decline can be attributed to a precipitous decrease in the availability of fresh fish to service a growing consumer demand. On a more positive note, the *At Home* channel realized growth within club stores and saw an increased demand for its primary and commodity products, particularly warmwater shrimp. Additionally, the successful launch of our Sea Cuisine® prepared entrée line in supermarkets has opened new opportunities for profitable branded growth.

Also in 2003, we introduced FPI Pro!, an automated sales information tool to streamline performance data and improve communications between our field sales in Canada and our office staff. This has provided our Canadian operations with a more timely and accurate reporting system, facilitating sales development.

REALIZING OUR GROWTH VISION

Our vision is to be the category captain in seafood, which mandates a commitment to customized solution development and value delivery. Whether in the *At Home* or *Away From Home* markets, our success and leadership is predicated upon this focused commitment. In 2003, major investments were made to strengthen our position in the market and establish a foundation for future profitable growth and leadership. In 2003, we:

- Developed innovative products, including UpperCrust™ Natural Cut Fillet Entrées, offering superior quality through trendy flavour profiles, while requiring minimal handling and preparation;
- Hired key account managers to supplement field sales efforts and provide customized sales support to emerging opportunities;
- Opened a unique, state-of-the-art culinary Research and Development facility for creating customer-specific applications, providing a venue for co-development initiatives;
- Held our first Seafood Symposium, bringing together leading U.S. chain account executive chefs to explore seafood menu opportunities; and
- Made facility enhancements in the U.S. and Canada to increase storage capacity, improve efficiencies, and streamline production; installed radio frequency technology in our Peabody warehouse to share real time inventory and capacity levels with our customers; and installed a new fryer and improved our automated packaging systems in Danvers.

The market has clearly responded to this commitment, fueling our growth, helping us realize our financial and operational objectives, and enabling us to outpace industry growth averages. It was a strong sales year for our Group in 2003, one that clearly defined our commitment to leadership and established the infrastructure for sustainable long-term growth. Further work is needed, and has already begun, to profitably capitalize on market share gains.

I believe the Marketing and Value Added Group's outlook for 2004 is clearly positive. We are well positioned for continued growth, fueled by a healthier economy and a more confident consumer base. Our broad product portfolio, commitment to culinary innovation, superior production and sourcing capabilities, improved operating efficiencies, and focused marketing and sales efforts will continue to provide value, supporting our target of seafood category leadership.

Our strategic roadmap was laid out in 2002 and implemented in 2003. This coming year provides an opportunity for FPI to establish a firm position in the market as the go-to resource for seafood – the category captain. Through our continued focus and commitment to value delivery, I believe the future holds great promise and opportunity for growth.

Kevin B. Murphy

Kevin B. Murphy
Executive Vice President
Chief Operating Officer – The Marketing and Value Added Group

After rationalizing its aged fleet and acquiring two new FAS technology, ice class vessels, FPI will be able to harvest more diversity of species, in more fishing areas, and in harsher weather conditions in 2004 and beyond. Shown below is the *Newfoundland Marten*.

This past year has been one of considerable change and investment for the Primary Group. In 2003, we progressed with our strategy to improve harvesting and processing capabilities, decrease operational costs, and, ultimately, increase competitiveness with modernized operations. We started the year with very tight timelines to get our new operations up and running; and while we did not accomplish all our goals in the first half of the year, the Primary team pulled through by year end to position our plant and fleet operations as truly world-class assets.

Faced with sizeable challenges, I am pleased to say that 2003 was a year of strength within our shellfish operations and one of vast improvement within our groundfish business. Primary Group gross profit grew 17% over 2002 and sales grew 2%, reaching $271 million. While we still have a ways to go to achieve the results required to support our recent investments, 2003 was a year in which we raised the bar for productivity, efficiency, and growth.

Internally, however, we were disappointed in our delay in meeting our groundfish productivity targets once the new plant equipment was in place. The magnitude of the changes was dramatic, and while we had the support of both the unionized workers and management, we failed to achieve our targets for production levels and costs in the first half of 2003. Essentially, performance suffered from both management and plant personnel training and transitional issues. We have made a good start to overcoming these obstacles, although we still have more to accomplish in this area. The organizational culture required to compete in our ever-changing global industry is one of constant improvement and innovation. We have successfully made the first big step, and now we must truly live this approach at every level.

The Primary Group made further progress this past year within our fleet operations. At the beginning of 2003, we were faced with a very aged fleet that was not capable of continuing efficient operations. Rationalizing our aged fleet and acquiring two new FAS technology, ice class vessels at favourable prices was a major milestone.

With these new vessels, we will be able to harvest more diversity of species, in more fishing areas, and in harsher weather conditions in 2004 and beyond. We now have the flexibility to harvest our groundfish quotas 12 months of the year, rather than a concentrated six months. The first of the two vessels, the *Newfoundland Marten*, was delivered and went into operation in the summer of 2003, with the second vessel, the *Newfoundland Lynx*, to be delivered and in service in 2004.

"In 2003, we progressed with our strategy to improve harvesting and processing capabilities, decrease operational costs, and, ultimately, increase competitiveness with modernized operations. We believe we now have the tools and expertise in place to enable us to rise to the challenges and deliver on the investment our shareholders have made in us."
- *Graham Roome, Chief Operating Officer*

The Primary Group's major external challenges in 2003 included the strengthened Canadian dollar that eroded margins; highly efficient, low cost processors in China that continued to place competitive pressures on our business; record winter weather conditions that impeded our harvesting efforts early in the year; and temporary supply shutdowns within the inshore harvesting sector in Newfoundland and Labrador.

I would have to identify the strengthened Canadian dollar as having been the single largest hit to our bottom line in 2003. The Primary Group's U.S. dollar sales represented a significant portion of our total sales for 2003. The increase in the value of the Canadian dollar relative to the U.S. dollar in 2003 considerably cut into the benefits of our productivity gains. Responding to this new reality, in the second half of 2003, the Primary Group sold more products outside the U.S. in currencies other than U.S. dollars. This was a highly successful strategy, particularly for our sea scallop product category, with approximately 95% of this high margin product being sold in non-U.S. dollar contracts by the fourth quarter. However, other product categories, such as groundfish and snow crab, are predominately sold into the U.S., making market diversification efforts more difficult with these products.

A further challenge is the competitive force of China. That country is currently the largest groundfish re-processor in the world, and its position as seafood processing giant is only increasing. Its seafood processors have become highly competitive, relying on low wages, increased access to FAS products, and hand processing. They have developed some of the most cost-effective operations in the world.

Given this very real competitive environment, the Primary Group's strategy is to be innovative, to be technologically superior, and to be as efficient as possible. Also, we are developing more business channels internationally to distribute our products, thus lowering the percentage of our sales denominated in U.S. dollars. We are targeting international markets, while protecting our core business and traditional customer base within key U.S. market segments. In fact, under highly competitive conditions in 2003, the Primary Group increased sales outside North America by more than 10%. We believe that through our plant modernization and market differentiation efforts in 2003, the Primary Group has made considerable progress toward our goals.

PRODUCT CATEGORY HIGHLIGHTS

The Primary Group is organized along our five key businesses – groundfish, cooked and peeled coldwater shrimp, crab, sea scallops, and offshore shrimp; and it is easiest to review the year's successes from a product category highlights perspective.

The Primary Group's key successes within the groundfish business included modernizing our three groundfish processing plants and rationalizing and updating our fleet. Our first of two new FAS vessels, the *Newfoundland Marten*, started operations in the summer of 2003. Also, our two newly acquired, previously-owned groundfish vessels, the *Cape Beaver* and the *Cape Ballard*, went into operation during the year, enabling us to more efficiently harvest our quotas. Going hand in hand with our new FAS harvesting capabilities is the construction of our new groundfish cold storage facility in Marystown, Newfoundland and Labrador, which will enable us to harvest our quotas at the optimal time of the year and have raw material available to coordinate with plant scheduling.

I am pleased to say that in 2003 the Primary Group substantially harvested the Company's entire yellowtail flounder quota. This species, representing FPI's largest groundfish quota, has rebounded since the moratorium of the 1990's. The challenge, however, is that yellowtail flounder and American plaice are naturally mixed stocks, yet American plaice is still under moratorium. Thus, in 2003, the Primary Group partnered with government and science to manage the American plaice bycatch levels, which enabled us to continue with our yellowtail flounder harvest.

New marketing developments also enabled us to harvest the majority of our turbot quota in 2003, with our sales and marketing professionals working to increase demand for this product in North American and Asian markets. I am also pleased to say that during the year, we further diversified our groundfish product line, by producing more groundfish product forms for distribution through the Marketing and Value Added Group.

While our access to yellowtail flounder and turbot quotas met our market demand in 2003, we continued to experience availability concerns with cod. While FPI has a limited quota for cod, the majority of our forecasted 2003 production was from cod purchased from inshore harvesters and cod purchased on the international markets. However, early in 2003, the local inshore cod fishery was dramatically reduced due to concerns over the health of the stock. Also, the international market price for cod raw material was heightened last year, with increased competition from low cost processors in China. Thus, our supply of cod raw material for processing was lower than anticipated in 2003; and we expect that our cod raw material supply will continue to be limited in 2004.

In 2003, we operated FPI's crab plants very efficiently; and we also availed of new opportunities, such as processing toad crab. Such diversification into new markets is important, especially as science is indicating that the Newfoundland and Labrador

snow crab resource has likely peaked. A major external challenge within this business in 2003 was presented when FPI, and indeed the entire crab industry in the Province, experienced a supply disruption in this fishery. The Newfoundland and Labrador snow crab fishery reached a crossroads in 2003, and we believe what is needed is an industry pricing mechanism between harvesters and processors to ensure security of supply to the markets. In 2004, all stakeholders within the industry will need to take action that will best serve this industry in the long term. Some good financial news for the Newfoundland and Labrador snow crab industry is that worldwide supply of snow crab will be lower this year, with the Alaska quota having been reduced for 2004. This tighter supply should help maintain pricing at last year's season opening levels, which will be welcomed in light of the continued pressure on margins from the strengthened Canadian dollar.

Sea scallops continued to be a high margin business for the Primary Group in 2003, and the resource continues to be strong. Our new vessel, the *Atlantic Destiny*, completed her first full operating year and has proved to be a dynamic harvesting and processing platform. With her high volume and FAS capabilities, we have been able to reduce the size of our operating fleet from five to two vessels. In turn, this fleet rationalization has enabled us to streamline our vessel service operations in Nova Scotia to reflect the decreased requirements of a smaller fleet. With this fleet investment in place, we also introduced a marketing program developed around FAS sea scallops, achieving a 23% increase in sales volumes in Europe in 2003.

THE PRIMARY GROUP'S FIVE KEY BUSINESSES

The Primary Group manages the Company's harvesting and primary processing operations along five key product categories: groundfish, cooked and peeled coldwater shrimp, crab, sea scallops, and offshore shrimp.

GROUNDFISH

- Participating in the Atlantic Canadian offshore groundfish fishery, primarily harvesting flounder, sole, turbot, cod, and redfish.
- Operating a fleet of groundfish vessels and three groundfish processing plants in Marystown, Harbour Breton, and Fortune, Newfoundland and Labrador.
- Holding 89% of the yellowtail flounder total allowable catch.
- Purchasing groundfish from hundreds of independent harvesters around Newfoundland and Labrador.

COOKED AND PEELED COLDWATER SHRIMP

- Operating two coldwater shrimp processing plants in Port Union and Port au Choix, Newfoundland and Labrador.
- Purchasing over 25% of the inshore shrimp landings in Newfoundland and Labrador from hundreds of inshore harvesters.
- Marketing and sales agent for over 50% of the cooked and peeled coldwater shrimp generated from Canada's northern shrimp resource.
- Marketing cooked and peeled coldwater shrimp under the FPI Ice Shrimp® brand.

CRAB

- Purchasing product from hundreds of inshore harvesters.
- Operating two crab processing facilities in Bonavista and Triton, Newfoundland and Labrador.
- Marketing and sales agent for, and member producer of, Atlantic Queen Seafoods – a consortium of crab processors throughout Eastern Canada.
- Marketing crab under the Luxury label.

SEA SCALLOPS

- Increasing harvesting efficiencies with the FAS scallop processing vessel, *Atlantic Destiny*.
- Holding almost 17% of the offshore sea scallop quota in Canada.
- Operating fleet of two scallop vessels from the south shore of Nova Scotia.

OFFSHORE SHRIMP – SHELL-ON COLDWATER SHRIMP

- Holding two of the 17 offshore northern shrimp licenses in Canada.
- Harvesting northern shimp offshore with the FAS shrimp processing vessel, *Newfoundland Otter*.
- Holding 25% ownership in Katsheshuk Fisheries, a joint venture between FPI, Coastal Labrador Fisheries Limited, and the Innu Nation of Labrador.

Our cooked and peeled coldwater shrimp operations also went through considerable changes in 2003, with a $4 million capital upgrade to our processing plants in Port Union and Port au Choix, Newfoundland and Labrador. The investments included new freezing and optical sorting equipment that are enabling us to lower our costs, which is essential in this low margin business. Also in 2003, we forged ahead with our market development strategy for cooked and peeled coldwater shrimp. New market initiatives were executed in Scandinavia and the U.K., targeting premium quality market segments, thereby contributing to a 29% increase in this product category's sales in these markets.

Despite this product's strong resource, we experienced a temporary shutdown of our coldwater shrimp plant operations in 2003, when suppliers decided not to harvest for parts of the season due to low industry prices. This is clearly more than a FPI challenge; and in 2003, a joint industry/union study was conducted to identify progressive changes required within the business. Subsequent recommendations and action are anticipated for the industry in 2004.

We also made upgrades within our offshore shrimp business in 2003. While we faced a shutdown of operations for 12 weeks, due to mechanical problems on board our FAS vessel, the *Newfoundland Otter*, I am pleased to say that we have upgraded her onboard processing capabilities. With these upgrades, she is now able to produce the frozen coldwater shrimp products that are most in demand by the marketplace. In 2003, we targeted Russia, China, and specialty market segments throughout North America to diversify our markets and sales mix. Further good news is that our second new FAS vessel, the *Newfoundland Lynx*, will not only have groundfish harvesting and freezing capabilities, but will also be a world-class coldwater shrimp processing vessel.

This past year the Primary Group managed through significant external and internal forces to get our new investments up and running and working towards our targets. We have made considerable progress to date in transforming our business into world-class harvesting and processing operations. Our major capital expenditure program is substantially complete, and we are working through the processes to ensure we operate in the most efficient manner possible. We believe we now have the team and the assets to build the Primary Group into a sustainable, stand-alone seafood business. While we expect 2004 will continue to present us with foreign exchange, international competition, and raw material supply issues, we believe we now have the tools and expertise in place to enable us to rise to the challenges and deliver on the investment our shareholders have made in us.

Graham M. Roome
Executive Vice President
Chief Operating Officer – The Primary Group

ON COURSE **FINANCIAL INFORMATION**

This Management's Discussion and Analysis contains statements and other forward-looking information about potential future circumstances, results, and developments related to the Company and its business and operations. Such statements and information are qualified in their entirety by the inherent risks and uncertainties surrounding future expectations generally and may differ materially from the Company's actual future results or events. There are a number of factors that could cause results or events to differ from current expectations, including, among other things, uncertainties regarding the continued availability of seafood products, the significant level of government regulation of the seafood industry, foreign exchange risk associated with the international nature of the Company's operations, increasing competition in the industry, and general industry and economic conditions. For additional information with respect to certain of these risks or factors, reference should be made to the Company's Annual Information Form and other continuous disclosure materials filed from time to time by the Company with Canadian securities regulatory authorities.

The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise. This Management's Discussion and Analysis should be read in conjunction with the Company's audited consolidated financial statements as at and for the year ended December 31, 2003, and the related notes thereto.

All amounts are in Canadian dollars ("CAD") unless otherwise indicated.

OVERVIEW

Through its subsidiary, Fishery Products International Limited, FPI Limited ("FPI" or the "Company") operates a seafood business engaged in harvesting, processing, global sourcing, and marketing a wide selection of quality seafood products. Headquartered in St. John's, Newfoundland and Labrador, Canada, the Company enjoys broad market reach in many food business sectors. FPI operates through two separate and distinct business units: the Marketing and Value Added Group and the Primary Group, each working to maximize value and brand equity at every stage of the product process – from ocean to table. With extensive knowledge and a keen vision of the seafood business, FPI is a leading supplier to its markets.

FPI stock has traded on the Toronto Stock Exchange, and FPI has been a public company since an initial public offering of common shares. FPI is subject to the Fishery Products International Limited Act: An Act Respecting the Return of the Business of Fishery Products International to the Private Sector (the "FPI Act"). Information pertaining to the FPI Act, and a detailed summary of the Company's corporate development, are available on the Company's website at www.fpil.com and in the Company's 2003 Annual Information Form filed with Canadian securities regulatory authorities at www.sedar.com.

THE MARKETING AND VALUE ADDED GROUP The Marketing and Value Added Group manages the Company's value added processing operations, global seafood sourcing, and culinary research and development. This Group is also the Company's North American sales and marketing arm, marketing primary, value added, and globally sourced seafood products to customers throughout Canada and the United States ("U.S.").

The Marketing and Value Added Group is headquartered in Danvers, Massachusetts, and employs approximately 650 people. This Group operates two value added processing facilities: one in Burin, Newfoundland and Labrador, and one in Danvers, Massachusetts. Value added processing means adding ingredients such as breading, batter, glazes, sauces, and vegetables to seafood, thereby enhancing value. This Group sources approximately one quarter of its seafood raw material for value added processing from the Primary Group and, as such, the Groups transfer these products based on fair market pricing and the best use of seafood raw material.

This Group is organized along two key market sectors – *Away from Home* and *At Home* – and markets value added, primary, and globally sourced seafood through a direct sales force (major offices in Danvers, Seattle, Toronto, and Montreal; and regional offices throughout North America) and an extensive broker network in the U.S. FPI's *Away from Home* customer channels include foodservice operators in multiple segments, broadline foodservice distributors, and specialty seafood distributors. The Company's *At Home* customer channels include supermarkets, specialty retailers, and club stores.

THE PRIMARY GROUP The Primary Group manages the Company's harvesting, primary processing, and international sales and marketing. This Group operates along five key product categories: groundfish, cooked and peeled coldwater shrimp, crab, sea scallops, and offshore shrimp.

Headquartered in St. John's, Newfoundland and Labrador, the Primary Group employs approximately 2,650 people in Atlantic Canada. The Primary Group has eight processing plants in Newfoundland and Labrador and a fleet of groundfish, coldwater shrimp, and scallop vessels, and vessel service centres in Newfoundland and Labrador and Nova Scotia. This Group markets seafood to customers internationally though offices in Canada, the United Kingdom ("U.K."), Germany, and Asia.

The Primary Group's operations encompass the harvesting, sourcing, processing, and marketing of groundfish (such as flounder, sole, cod, turbot, and redfish) and shellfish (such as coldwater shrimp, snow crab, and sea scallops). The Group's operations include the processing of fish and shellfish into premium-quality, market-ready products and also seafood raw material for value added processing.

In addition to its harvesting operations, the Primary Group purchases groundfish and shellfish raw material from hundreds of independent harvesters throughout Newfoundland and Labrador and also sources groundfish raw material through the Marketing and Value Added Group's global sourcing operations. This globally sourced, semi-processed groundfish is purchased in the form of blocks and portions and is further processed at the Primary Group's groundfish plants.

Global sourcing of finished product involves either the purchase and resale, or the sale on a consignment basis, of a wide variety of market-ready seafood. Warmwater shrimp represents FPI's highest volume product in this category. Other products include red king crab, scallops, salmon, lobster, and groundfish.

BUSINESS STRATEGY

Management believes that FPI has the people, the assets, and the shared vision to be one of the most valuable and innovative food companies in the world. This vision includes enhancing returns to shareholders, providing customers with high quality products that represent excellent value, creating a work environment that respects and rewards contribution at all levels, protecting the ocean environment through sustainable harvesting practices, and being ethical and responsible to all the Company's stakeholders. Working towards this vision, in 2003, the Company made considerable marketing and operational investments within each of its two business units. While each Group has distinct activities and mandates, both Groups share the underlying goal of creating value for the Company's entire customer base through the delivery of quality products and a focus on customer service.

The Marketing and Value Added Group's objective is to establish itself as the market leader in the seafood sector for North America by delivering innovative, customer-focused products and programs. Although faced with difficult challenges in the first half of 2003, such as a weaker U.S. economy and a slow restaurant sector, this Group made significant progress in the second half of the year to improve its results. Initiatives that contributed significantly to improved results included developing a closer relationship with end-user accounts, adding more direct sales people, and developing more innovative products for the *Away From Home* sector. This Group also made the strategic decision in 2003 to focus on developing opportunities in the *At Home* sector, with a view to diversifying its sales mix and protecting against economic downturns in the future. By way of example, this past year marked the Company's single largest product launch ever within the *At Home* market – the highly successful and well-received Margaritaville® Shrimp product line that is now available nationally throughout the U.S.

The Primary Group's objective is the modernization of all aspects of its business with a view to positioning itself to compete with low cost producers from around the world. The Primary Group's goal is to produce competitive, high quality seafood products by using advanced technology and superior processes. The Group's major capital expenditure program, originally initiated in 2002 and which continued during 2003, is now substantially complete. As a result of these significant investments, the Group is now working through the processes to ensure the business is operated as efficiently as possible. The Group's strategy for 2003 was to rapidly change the very way it approached its groundfish business, transforming the business from a wet fish operation to a frozen-at-sea ("FAS") process. This strategy required the Group to modernize its three groundfish operations and to rationalize and replace its groundfish fleet. This Group also benchmarked its shellfish operations during the year and set the objective of being among the best operators from a yield and productivity perspective. Despite some initial delays and setbacks, by staying focussed, carefully measuring and modifying the operational process, and educating workers and management, the Group reached its initial targets by the second half of the year and enjoyed better productivity and reduced costs.

Management believes that FPI is on course to unlock signifcant value. We have set our direction for growth. We have made considerable operational and marketing investments. We are benefiting from the momentum of these initiatives. We are forging ahead through challenging markets, and we remain committed to enhancing value for our customers and shareholders.

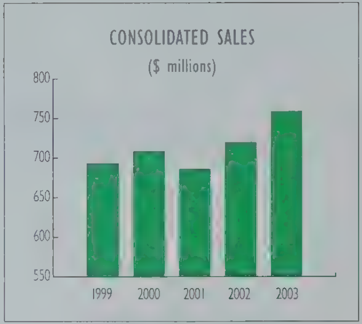
CONSOLIDATED SALES AND GROSS PROFIT

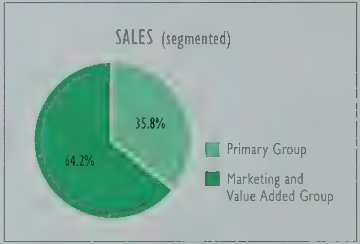
Sales for the year ended December 31, 2003, were $758.9 million, an increase of $38.8 million over the previous year's revenue of $720.1 million. This increase is primarily attributable to increased sales volumes in both globally sourced and value added shrimp products. Sales of $487.5 million by the Marketing and Value Added Group represented an increase of $33.3 million, or 6.8%, over the prior year.

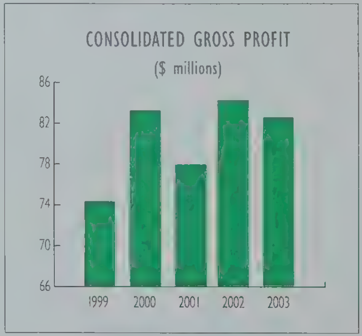
Increased primary processed sales in the Primary Group also contributed to FPI's higher sales revenues in 2003. The Primary Group's sales of $271.5 million represented an increase of $5.6 million, or 2.1% over the prior year sales of $265.9 million.

The Company's gross profit for the year ended December 31, 2003, was $82.6 million. This is a decrease of $1.7 million from $84.3 million in 2002. This decrease resulted from a reduction in gross profit of $6.2 million in the Marketing and Value Added Group, largely offset by a gross profit increase of $4.5 million in the Primary Group.

Gross profit as a percentage of revenues was 10.9% for the year, down from the 11.7% achieved in 2002, as margin improvements in the Primary Group were more than offset by decreased margins in the Marketing and Value Added Group. The Primary Group's gross margin of 11.7% is 1.5 percentage points higher than was achieved in 2002, while the Marketing and Value Added Group's gross margin of 10.5% was 2.1 percentage points below the prior year. Increased margins in the Primary Group were largely a result of favourable margins on shellfish, which offset the shortfalls in the groundfish and offshore shrimp sectors. Weaker margins within the Marketing and Value Added Group resulted from increased volumes of low margin, globally sourced warmwater shrimp, as well as the $5.3 million of promotional expenses incurred in the last half of 2003 related to the launch of the Company's Margaritaville® Shrimp product line.



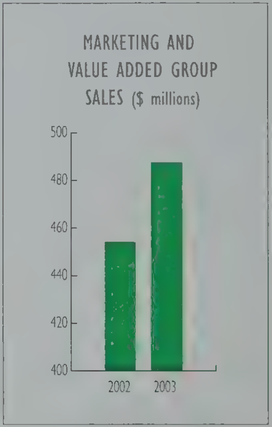




BUSINESS SEGMENTS

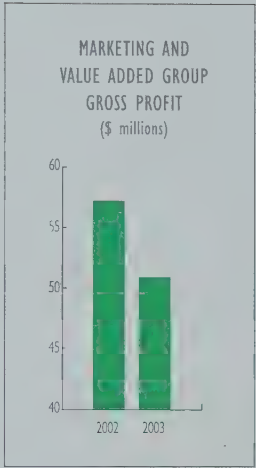
THE MARKETING AND VALUE ADDED GROUP SALES AND GROSS PROFIT

The Company's Marketing and Value Added Group is responsible for sourcing customer requirements for seafood from domestic and international supply partners, adding value to seafood through further processing, and ensuring FPI seafood is on more plates, in more places, through more channels.



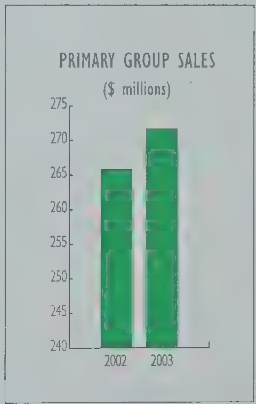
The Marketing and Value Added Group achieved very strong sales volumes during 2003 increasing sales by $33.3 million in the year. This increase is attributable to increased sales volumes in both globally sourced and value added products. Sales volumes of globally sourced warmwater shrimp increased 32.4% over the prior year, while value added shrimp volumes increased 25.0% over 2002. The increase in sales dollars resulting from higher volumes was partially offset by lower selling prices per pound realized, due to lower purchase prices, but was also negatively impacted to a greater extent by the strengthening Canadian dollar given that the Group's sales are made primarily in U.S. dollars ("USD"). As a result of the economic downturn and weakness in the restaurant and foodservice industry in the U.S. during 2003, the Company made a conscious effort to move its sales focus from value added to globally sourced products.

The Marketing and Value Added Group contributed $51.0 million towards the Company's total gross profit for 2003, a decrease of $6.2 million from that of last year. The strengthening Canadian dollar accounted for a significant portion of the gross profit shortfall when translating the U.S. dollar results of the Marketing and Value Added Group. The remaining shortfall was primarily driven by decreased sales volumes and margins on value added groundfish experienced throughout 2003 which reflected the weakness of the restaurant and foodservice industry in the U.S. Decreased gross profit for the Marketing and Value Added Group was also a result of a higher proportion of lower margin, globally sourced warmwater shrimp sold by the Group where lower margins arose from more fixed margin arrangements and a more competitive market environment compared to the market in 2002. Additionally, the Group experienced increased storage costs due to the new inspection rules introduced by the U.S. Food and Drug Administration and the Canadian Food Inspection Agency. These new requirements also contributed to higher inventory investments and decreased margins.



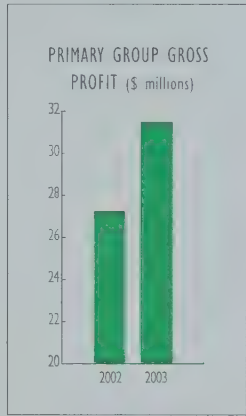
THE PRIMARY GROUP SALES AND GROSS PROFIT

The Company's Primary Group is responsible for harvesting, primary processing, and developing international markets. The Group sells internally harvested and processed, as well as globally sourced, seafood. The Primary Group's sales consist of shellfish and groundfish species.



Sales in the Primary Group for the year ended December 31, 2003, totalled $271.5 million, a 2.1% increase over sales of $265.9 million in 2002. This increase was primarily a result of increased primary processed sales, particularly in turbot, flounder, and lumpfish, and was partially offset by decreased sales volumes in shellfish, as well as the negative impact on the Group's sales resulting from the strengthening Canadian dollar.

The Primary Group contributed $31.6 million toward the Company's total gross profit for the year, which was significantly higher than the $27. million for the year ended December 31, 2002. Gross profit as a percentage of sales was 11.7%, representing a 1.5 percentage point improvement over the 10.2% gross profit percentage achieved in the prior year. Favourable margins on shellfish offset the shortfall in the groundfish and offshore shrimp sectors. Selling prices on offshore shrimp were down significantly as compared to the prior year. In addition to the strengthening of the Canadian dollar, prices in key offshore shrimp markets such as China, Japan, and Europe declined in 2003 as a result of both increasing supplies of coldwater shrimp imports from the North Atlantic and a significant increase in the production of farmed warmwater shrimp in China.



Shrimp sales volumes were also significantly lower as a result of the Company's shrimp vessel, the *Newfoundland Otter*, being out of service for three months during the year. Poor weather and ice conditions in the first half of 2003 also impacted margins on cooked and peeled coldwater shrimp, as the product had to be largely sourced from lower margin, globally sourced inventory. Turbot sales were also negatively impacted by the poor weather and ice conditions. Reduced availability of turbot inventory in the second quarter of 2003 resulted in missed sales opportunities for this product.

BUSINESS SEGMENTS (CONTINUED)

THE PRIMARY GROUP SALES AND GROSS PROFIT (CONTINUED)

The strengthening Canadian dollar also decreased margins as a significant portion of the Primary Group sales are in USD. There was also significant pricing pressure on the Canadian cod market due to the availability of low production cost cod from China.

COMMISSION INCOME

Commission income for the current year was $5.0 million, an increase of $0.8 million, or 19.0%, over the $4.2 million of income earned in 2002. This increase resulted entirely from a new marketing agreement, which began during the second quarter of 2003, whereby FPI sells lobster under a consignment arrangement. Partially offsetting the increased lobster commission income resulting from this new arrangement was a decline in commission income from an existing consignment arrangement as a result of reduced crab sales volumes in 2003. A lower carry forward inventory from 2002, along with lower production volumes in the current year's production season, were the primary contributors to the reduced sales volumes from this arrangement.

ADMINISTRATIVE AND MARKETING EXPENSES

Administrative and marketing expenses for the year ended December 31, 2003, totalling $51.3 million, were consistent with 2002, notwithstanding the Company's significant year over year sales increase. Although consistent in total, the composition of these expenses differed significantly. The Marketing and Value Added Group incurred increases resulting from additional sales and marketing infrastructure, which had been budgeted for the 2003 year. Insurance expense increased in 2003 as a result of higher insurance premiums for the property and directors' and officers' insurance renewal in July 2003, as well as increased premiums for the renewal for hull and machinery and cargo insurance in November 2003. Partially offsetting these higher expenses were savings realized from the capital investments and operational improvements introduced by the Company in the current and prior year, together with the impact of the strengthening Canadian dollar during the year.

INTEREST EXPENSE

Interest expense of $8.1 million was an increase of $2.3 million as compared to the prior year. This increase was a result of an increase in both short-term and long-term borrowings as compared to the prior year.

Interest on long-term debt increased $1.3 million from 2002, resulting primarily from additional financing acquired during 2003 for the capital expenditure program to upgrade the Primary Group's Newfoundland and Labrador plants and replace the aging trawler fleet. Also, in 2003, the Company incurred a full year of interest expense on debt related to a vessel, the *Atlantic Destiny*, purchased mid-year in 2002.

Short-term borrowings averaged $62.9 million during 2003 as compared to $37.2 million in 2002, resulting in a $1.0 million increase in short-term interest expense.

OTHER ITEMS

In the fourth quarter of 2003, the Company recognized a provision for fleet rationalization of $6.1 million pertaining to vessels that are no longer in use. These vessels became redundant following the recent introduction of new vessels and the planned introduction of the *Newfoundland Lynx* in 2004. In 2002, FPI launched the *Atlantic Destiny* and in 2003, introduced the *Newfoundland Marten*, a new FAS technology vessel. During the year, the Company's Primary Group also acquired two previously-owned groundfish vessels, the *Cape Beaver* and the *Cape Ballard*. These new vessels were built or purchased to improve safety, efficiency, and maintenance; and, as a result, certain older vessels in the fleet became redundant and required rationalization. The Company's plan is to dispose of the redundant vessels.

In the fourth quarter of 2003, the Company also reached an agreement with the Fish, Food and Allied Workers Union and the Canadian Allied Workers Union to wind up the *Pension Plan for the Unionized Employees of Fishery Products International Limited*, effective October 31, 2003. Subsequent to the year end, the Newfoundland and Labrador Superintendent of Pensions approved the winding up of the Plan. The Primary Group recognized an accounting non-cash pension curtailment expense amounting to $2.2 million as a result of this transaction.

Furthermore, the Company also made a provision for the carrying value of a long-term note receivable, as it was deemed uncollectible, resulting in a charge of $2.9 million in the fourth quarter.

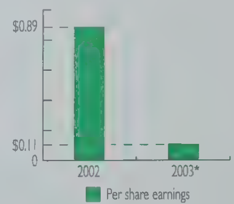
INCOME TAXES

The Company's consolidated income tax expense decreased by 51.9% from $7.8 million in 2002 to $3.7 million in 2003. The effective tax rate for the year ended December 31, 2003, was 69.2%, as compared to 36.0% for the year ended December 31, 2002.

Notwithstanding an overall decline in the combined statutory income tax rates, the Company's effective tax rate increased due to the non-deductibility of certain items for income tax purposes, such as capital losses where the future tax benefit has not been recognized.

As at December 31, 2003, the Company has approximately $1.4 million in non-capital loss carry forwards which are available to reduce future Canadian income taxes otherwise payable. The Company has recognized $0.7 million of these non-capital losses as a future income tax asset. As well, the Company has approximately $9.3 million in capital loss carry forwards, which are available to reduce future Canadian capital gains. No benefit for these capital losses has been recognized by the Company. See note 11 to the Company's consolidated financial statements for further details.

CONSOLIDATED EARNINGS PER SHARE



* Earnings per share have been reduced by $11.2 million ($0.56 per share) for provisions recognized in the fourth quarter of 2003.

NET INCOME

The Company reported net income of $1.7 million and earnings per share of $0.11 for the year ended December 31, 2003. The net income for the year ended December 31, 2002, was $13.8 million and earnings per share were $0.89.

SUMMARY OF QUARTERLY DATA

The summary of quarterly data can be found on page 52 of the annual report.

LIQUIDITY AND CAPITAL RESOURCES

OPERATING ACTIVITIES The Company generated $17.8 million from operating activities for the year ended December 31, 2003. This cash flow from operations is higher than the $5.9 million provided by operations in the prior year. This increase is primarily a result of the increased inventory volumes at the end of 2002.

Working capital of $100.3 million and a current ratio of 1.8:1 indicate a strong liquidity position for the Company. This compares with working capital of $116.3 million and a current ratio of 1.9:1 at the end of 2002.

The Company's balance sheet at December 31, 2003, reflects bank indebtedness of $70.8 million, which is used primarily to fund the Company's working capital needs and capital asset additions, which are not funded by term debt. The increase of $4.1 million over the balance of $66.7 million at the end of the prior year is primarily due to the funding of capital assets net of those funded through term debt.

The Company ended the year with inventories at $128.3 million, $17.5 million lower than the 2002 balance of $145.8 million. The weaker U.S. dollar compared to the Canadian dollar contributed to most of the cost reduction, as the translation of inventories held in the U.S. was a significant factor in the decreased balance. Inventories also decreased as a result of lower snow crab volumes due to lower production levels and less crab meat, which is a higher cost product. A decrease in production costs for certain products also contributed to a decreased inventory dollar value at December 31, 2003.

Consolidated inventory turnover of 4.9 times improved slightly as compared to 4.6 times in the prior year.

Accounts receivable of $84.2 million as at December 31, 2003, are slightly higher than the $83.1 million balance at the end of 2002. This increase is a net result of an increase in trade receivables and insurance receivables offset partially by a decrease in commissions receivable.

High sales volumes near year end resulted in a slight increase in trade receivables of $0.8 million as compared to 2002. However, consolidated days sales outstanding was improved to 30.9 days compared to 31.8 days in the prior year.

An increase in insurance receivables reflects increased claims near year end, the most significant of which relates to the Primary Group's vessel, the *Newfoundland Otter*, being inoperable for a period of three months during the year as a result of damage to the vessel. These increases were offset somewhat by a decrease in crab commissions receivable as a direct result of a decrease in crab consignment sales near year end.

Accounts payable and accrued liabilities at the end of the year were $49.5 million, a decrease of $1.1 million from the prior year. This balance, although slightly below the prior year, is still trending higher than years prior to 2002.

LIQUIDITY AND CAPITAL RESOURCES (CONTINUED)

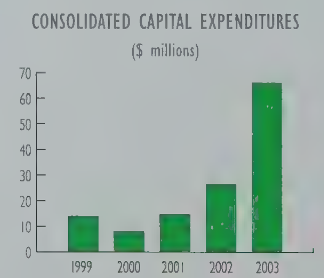
OPERATING ACTIVITIES (CONTINUED)

The decrease, as compared to the prior year, is a result of a higher volume of global sourcing of product near year end in 2002. The trend of increased balances in accounts payable and accrued liabilities in recent years is attributable to improved payment terms for procurement of certain products.

The Company expects that its ability to generate sufficient amounts of cash in the short term and the long term, when needed, and to maintain financial capacity and flexibility to provide for planned growth is adequate and there are no trends, demands, commitments, events, or uncertainties that are reasonably likely to materially impact the position.

INVESTING ACTIVITIES During 2003, the Company invested $66.2 million in capital assets. Expenditures pertaining to the Primary Group's capital program constituted the largest portion of this capital outlay. Significant investments in the Primary Group during the year included: the *Newfoundland Marten*, a FAS technology groundfish trawler put into operation mid-year; progress payments in respect of the *Newfoundland Lynx*, a FAS factory technology trawler to be delivered in 2004; and significant investments of $16.5 million in the Newfoundland and Labrador groundfish processing plants. The Primary Group's capital program is directed at achieving necessary operating improvements in order to earn acceptable levels of return on capital employed in this business unit.

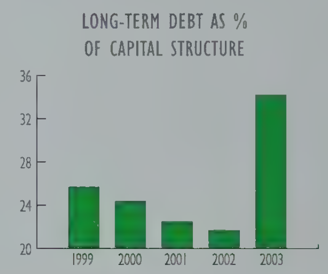
In addition to these Primary Group investments, the Company has also recorded a $3.9 million addition to capital assets pertaining to its 25% proportionate ownership of a new vessel, the *Katsheshuk II*, purchased during the year by Katsheshuk Fisheries Limited. FPI holds a 25% interest in Katsheshuk Fisheries Limited.



At December 31, 2003, the Company had $9.9 million in outstanding commitments required for various ongoing capital projects. These commitments relate primarily to the construction of the *Newfoundland Lynx*.

The 2003 capital program was funded by external term financing for specified projects and by internally generated cash flow.

FINANCING ACTIVITIES



FPI increased its financial leverage in 2003, directly as a result of financing the Primary Group's capital investment program. FPI's capital structure remains at a prudent level, with 34.2% of its capital funded by long-term debt (excluding current portion) as of December 31, 2003. This compares to 21.7% at the end of the prior year. Long-term debt (excluding current portion) at December 31, 2003, totalled $96.3 million compared with $55.6 million at the end of 2002. External term financing was obtained for the purchase of the *Newfoundland Marten* and for the construction of the *Newfoundland Lynx*, which will be delivered in 2004.

External term financing has also been utilized for various capital expenditures pertaining to the Primary Group's groundfish processing plants. The Company has also recorded its 25% proportionate ownership of term debt related to financing of the *Katsheshuk II* by Katsheshuk Fisheries Limited. The term debt is secured by a guarantee of the shareholders for $2.0 million. The Company's share of the guarantee is $667,000, which is one third of the guarantee amount.

At December 31, 2003, the Company's long-term debt (including current portion) was denominated as follows: USD $34.3 million (CAD $44.4 million) and CAD $60.0 million. At December 31, 2002, the Company's total debt was denominated as follows: USD $11.3 million (CAD $17.9 million) and CAD $51.3 million.

The terms of certain of the Company's loan agreements impose operating and financial limitations on the Company. Subject to the Company maintaining certain financial conditions pursuant to such agreements, the Company may incur additional indebtedness, create liens, engage in mergers and acquisitions, and make dividend payments. The Company's ability to comply with any of the foregoing limitations and with loan payment provisions will depend on future performance. This will be subject to prevailing economic conditions and other factors, some of which are beyond the Company's control. During the year and at year end, the Company was in compliance with all covenants and other conditions imposed by its loan agreements.

On December 5, 2002, the Company received approval from the Toronto Stock Exchange for a normal course issuer bid to purchase up to 770,589 of its common shares during the one-year period commencing December 5, 2002. This bid expired on December 4, 2003. The Company purchased 56,500 common shares under this program at an average cost of $8.05.

On December 4, 2003, the Company received approval from the Toronto Stock Exchange for the renewal of its normal course issuer bid, pursuant to which the Company may purchase up to 768,623 of its common shares during the one-year period commencing December 5, 2003. As at February 16, 2004, the Company has not acquired any shares pursuant to this bid.

The Company had approximately 15.4 million shares outstanding as at December 31, 2003 (2002; 15.4 million). As at February 16, 2004, shares outstanding remain at approximately 15.4 million.

The Company has stock-based compensation plans for directors, executives, and certain senior management. The 2000 Performance Stock Option Plan allows the Company to grant options for the purchase of up to 1,395,000 common shares. These options have a maximum term of ten years and vest according to certain increases in the market price of the Company's shares. The Company has 318,200 shares remaining to be granted under this stock option plan. The Executive Stock Option Plan allows the Company to grant options for the purchase of up to 1,000,000 common shares. The Company has 12,300 shares remaining to be granted under this stock option plan. See note 9 to the Company's consolidated financial statements for further details.

During the year, the Company declared and paid a quarterly dividend of $0.05 per share (annual rate of $0.20 per share), which totalled $3.1 million. Dividends in 2002 were $0.045 per share (annual rate of $0.18 per share) and totalled $2.8 million.

Shareholders' equity totalled $185.3 million as at December 31, 2003, compared with $201.0 million at December 31, 2002.

SEASONALITY The Company's operations and, therefore, its cash flows, are seasonally affected. Inventory levels fluctuate in the following manner: increasing during the late spring/early summer with the seasonal fisheries, particularly those for coldwater shrimp and snow crab; peaking in September/October with the global sourcing of warmwater shrimp for pre-holiday sales in the fall; and declining in the late fall/early winter with strong sales and slow global sourcing/harvesting activity. Sales, particularly those of value added products, are strong in the early spring, largely as a result of the Lenten period. Through the late spring and summer months, the sales mix incorporates more primary and globally sourced products, such as snow crab and lobster, as seasonal fisheries are underway. The fall and winter months are also strong periods as a result of increased sales of product, largely shellfish, during the holidays. The Company's operations can also be affected by weather in the winter months when ice and poor conditions impact the harvesting of fish. If the Company is not able to adequately finance its working capital requirements, there may be a material adverse effect on the Company's financial condition and results of operations.

FOREIGN CURRENCY AND HEDGING The Company prepares consolidated financial statements in CAD. See note 1 to the Company's consolidated financial statements for further details.

The Company's overall approach to managing foreign currency exposure includes identifying and quantifying its currency exposure and putting in place the appropriate financial instruments in an effort to manage the exposure. In managing this risk, the Company may use financial instruments including forwards, swaps, and other instruments to best manage its exposure. During the year, the Company entered into certain financial instruments that did not qualify for hedge accounting. See note 16 to the Company's consolidated financial statements for further details.

The Company has developed a risk management program to mitigate potential risks with respect to foreign currencies. The strategy is to match inflows and outflows by currency, thereby minimizing net currency exposures to the extent possible. This is accomplished by ensuring that customer contracts, major expenditures, and debt are denominated in the appropriate currencies.

In 2003, approximately 70% of FPI's consolidated sales were based in foreign currencies, with approximately 60% in USD. This is consistent with the breakdown in 2002.

LIQUIDITY AND CAPITAL RESOURCES (CONTINUED)

FOREIGN CURRENCY AND HEDGING (CONTINUED)

To a large extent, a natural hedge for movements in the USD against the CAD exists in FPI's cost structure as: (i) international global sourcing of seafood products is primarily conducted in USD; (ii) a portion of the Company's long-term debt and short-term bank loans is denominated in USD; and (iii) the cost base of the Company's value added processing operations is largely in USD. However, there is still a net positive USD cash flow that can have an impact on operating earnings as the CAD/USD exchange rate changes.

The Company has a policy that permits its foreign currency cash flows to be hedged up to a maximum of 100%, 24 months into the future.

As of December 31, 2003, the Company has hedged USD cash inflows of USD $40.2 million for the 12 months of 2004, at an average rate of 69.2¢. Furthermore, it has entered into forward contracts to hedge USD cash inflows of USD $23.0 million for the 12 months of 2005, at an average rate of 72.6¢.

In addition, FPI hedges currency exposures in its global sourcing operations and situations where purchases of product in USD have been designated to fill customer orders at fixed prices in CAD. The objective of these currency hedges is to preserve normal margins for these orders. In 2003, FPI used short-term forward contracts to lock in the margin on 25% of its Canadian globally sourced product sales. As of December 31, 2003, the Company has hedged USD cash outflows of USD $4.9 million for the 12 months of 2004.

FPI's earnings are also directly impacted by changing prices in relation to the purchase of fuel that is used: (i) to operate its fleet; (ii) to operate its plants; and (iii) by its independent truckers. In addition to these direct impacts, changing fuel prices indirectly impacted the Company's packaging and fishing gear costs (particularly items such as plastic and nets that are petroleum-based), as well as costs such as electricity and travel.

The Company does not engage in any hedging of its operating costs, due to the absence of an organized commodity market for the vast majority of these cost components.

CREDIT RISK The Company's consolidated sales result from a broad international customer base, in excess of 3,500 accounts. FPI's largest customer accounts for approximately 10% of total sales. As a result of consolidation of large customers in recent years, the top ten customers now account for approximately 39% of total consolidated sales annually.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company records transactions and prepares its financial statements in CAD. For the year ended December 31, 2003, the Company maintained operations in the U.S., the U.K., and Germany, with business also conducted in other countries. The Company's businesses in the U.S. and the U.K. are considered financially and operationally self-sustaining, while the business located in Germany is considered an integrated operation. The assets and liabilities of the Company's self-sustaining operations are translated into CAD at the year end exchange rate. Revenues and expense items are translated into CAD at average exchange rates prevailing throughout the year. The resulting net gains and losses, together with those related to short-term and long-term borrowings denominated in USD and designated since January 1, 1998, as a hedge of the self-sustaining subsidiary operations in the U.S., are accumulated in a separate component of shareholders' equity, described in the consolidated balance sheets as foreign currency translation adjustment.

The exchange gains and losses arising on the translation of the current monetary items of the Company's integrated operation are included in the determination of net income. Gains and losses on the translation of other foreign currency transactions are included in the determination of net income. Because much of the Company's total revenues and expenses are completed in currencies other than CAD, the Company is exposed to exchange rate risks.

Effective January 1, 2002, the Company implemented the new recommendations of the Canadian Institute of Chartered Accountants ("CICA") with respect to accounting for foreign currency translation. All exchange gains and losses arising from the translation of long-term debt held in foreign currencies are now included in income. Previously, unrealized foreign exchange gains or losses in relation to long-term debt accumulated prior to January 1, 1998, were deferred and amortized over the remaining term of the related debt. As required under the new standard, this change was adopted retroactively with restatement of prior period balances.

INTEREST RATE RISK The Company is exposed to market risk from changes in interest rates, related primarily to variable interest rates on current bank indebtedness and floating rate term debt. The Company has an interest rate risk management program and has entered into interest rate swaps. The positions were taken to minimize the impact of future changes in interest rates on CAD and USD floating rate debt. The interest rate swaps that were entered into are based upon notional amounts that would correspond generally to the Company's floating rate debt. At December 31, 2003, the Company had

interest rate swap agreements outstanding for the following notional amounts: $10.0 million on USD short-term debt; $17.2 million on USD long-term debt; and $44.5 million on CAD long-term debt.

OTHER RISKS

SALES PRICE VOLATILITY Historically, certain of FPI's product lines have recorded very significant price volatility, with the most recent examples being warmwater shrimp, Atlantic snow crab, scallops, and lobster. The breadth of FPI's overall product line and the Company's ability to substitute products, if necessary, reduce the impact of excessive volatility in individual product categories.

GLOBAL SOURCING In view of the ongoing moratoria or limited reopenings of key Canadian groundfish stocks, global sourcing of groundfish remains a vital component of the Company's operations. For the year ended December 31, 2003, the Company globally sourced 21,100 tonnes (2002; 17,900 tonnes) of groundfish, either as raw material or finished goods. In 2003, the Company purchased its requirements for groundfish at prices generally similar to those paid in 2002.

The global sourcing of warmwater shrimp is also an important component of the Company's operations. The Company globally sourced 15,800 tonnes (2002; 12,500 tonnes) of this product during 2003. The Company experienced significant warmwater shrimp price reductions during 2003, as abundant supplies were available. As a result of the low prices, an anti-dumping petition requesting significant tariffs was filed with the U.S. Department of Commerce by a U.S. shrimp producers' association. The outcome of that petition has not been determined at this time, but management believes the imposition of tariffs will have a negative impact on purchase costs in the second half of 2004.

A detailed discussion on raw material is found in the Company's Annual Information Form filed with Canadian securities regulatory authorities.

LABOUR CONTRACTS Early in 2003, the Company signed two new collective agreements with unionized employees pertaining to negotiations that were ongoing at the end of 2002. A collective agreement that expired during the year was also renegotiated during 2003. Negotiations are currently ongoing with respect to a collective agreement that expired on December 31, 2003.

REGULATORY ENVIRONMENT The regulatory environment in the Atlantic Canadian fishing industry is extremely complex. Elements of risk include: changes in quota allocations; potential changes in the enterprise allocation system; new licensing fees to cover governmental administration costs; the granting of additional processing and harvesting licenses, which would dilute the resource base amongst more participants; and the scheduling of various fisheries. The ultimate regulatory regime reflects a complex interplay of scientific and resource management objectives and a wide array of ongoing political and social pressures. A current risk in the Newfoundland and Labrador fishing industry pertains to the inshore snow crab and coldwater shrimp industries. The stability of these industries requires a structure and regulatory framework that is acceptable to the processing and harvesting sectors in 2004.

A significant reduction in quota or adverse material changes to the Company's allocation percentages might have a detrimental effect on the Company's financial condition and results of operations, although it is not readily quantifiable due to the variability of possible assumptions. Adverse impacts that result from such changes would be sought to be significantly mitigated through increased procurement activities, product additions or withdrawals, or species substitution.

OPERATING RISK In addition to the foregoing risks, the seafood industry is highly competitive in all markets in which the Company operates. With customer business typically conducted without written agreements, the loss of significant customers could have a material adverse effect on the Company's financial condition and operating results. In addition, consolidation among food distributors could bring increased pressure on pricing and trade terms for food processors like FPI. The Company is also subject to potential product liabilities in connection with its food processing operations. The Company maintains insurance in respect of such liabilities in accordance with market practice within the industry. However, there can be no assurance that the Company will be adequately insured with respect to any losses arising from product liability claims. FPI's operations, including the harvesting, processing, and transportation of seafood are subject to stringent statutes, regulations and by-laws, and other requirements with respect to workers' health and safety and environmental matters in Canada, the U.S., and elsewhere.

TAXES

The Company is subject to taxation in different jurisdictions throughout the world. The Company's future effective tax rate and tax liability will be affected by a number of factors, such as the amount of taxable income in particular jurisdictions, the tax rates in such jurisdictions, tax treaties between jurisdictions, the extent to which funds are transferred between jurisdictions and income is repatriated, and future changes in law. The tax liability for each legal entity is determined on a non-consolidated basis without regard to the taxable losses of non-consolidated affiliate entities. As a result, the Company may pay income taxes in certain jurisdictions, although on an overall basis a net loss for the period may be incurred.

INFLATION

Although the Company believes that inflation has not had any material effect on current operating results, the Company's business may be affected by inflation in the future.

ACCOUNTING POLICIES ADOPTED IN 2003

STOCK-BASED COMPENSATION AND OTHER STOCK-BASED PAYMENTS The accounting standard issued by the CICA on stock-based compensation in late 2001 encouraged, but did not require, the use of the fair value method to account for stock-based awards, other than direct awards of stock, stock appreciation rights, and similar awards with a cash settlement feature. In late 2003, the related standard was amended to require all companies to adopt the fair value accounting method for fiscal years beginning on or after January 1, 2004. The Company's early adoption of the new standard for the fiscal year ended December 31, 2003, falls within the transitional provision that allows prospective application for all companies that elect to apply the fair value method for fiscal years beginning before January 1, 2004. Previously, this cost was estimated and disclosed in the notes to the consolidated financial statements, but not recognized as an expense in the consolidated financial statements themselves. This accounting change resulted in an additional expense for the year ended December 31, 2003, of $0.1 million.

The fair value of each option granted is estimated on the date of grant using the Black-Scholes option model based on the weighted average assumptions for dividend yield, expected volatility, risk-free interest rate, and expected life. See note 14 to the Company's consolidated financial statements for further details.

FUTURE CHANGES IN ACCOUNTING POLICIES

ASSET RETIREMENT OBLIGATIONS In 2003, the CICA issued a new handbook section 3110 entitled "Asset Retirement Obligations", which focuses on the recognition and measurement of liabilities related to legal obligations associated with the retirement of capital assets. Under this standard, these obligations are initially measured at fair value and subsequently adjusted for the accretion of discount and any changes in the underlying estimated cash flows. The asset retirement cost is to be capitalized to the related asset and amortized into earnings over the estimated useful life of the related asset. This new section is effective for fiscal years beginning on or after January 1, 2004. The Company is currently evaluating the impact of this standard on its financial reporting.

HEDGING RELATIONSHIPS In 2003, the CICA issued Accounting Guildeline 13 entitled "Hedging Relationships", requiring that hedging relationships be adequately documented to qualify for hedge accounting. This new guideline will have no impact on the Company as it has already assessed and documented the effectiveness of its hedging relationships in accordance with this guideline. The Company has judged that all designated hedging relationships are effective and qualified for hedge accounting treatment.

OTHER ISSUES

During the third quarter of 2003, the Company reclassified various customer marketing costs including volume rebates, cooperative advertising, demos, buying group rebates, and various other trade marketing costs from cost of goods sold to revenue. This reclassification reflects guidance provided in certain U.S. accounting recommendations including Securities and Exchange Commission Staff Accounting Bulletin 101 ("SAB 101") and various related Emerging Issues Task Force abstracts from the Financial Accounting Standards Board that clarify SAB 101. This reclassification also allows comparison and benchmarking of the Company's statements of operations and financial results with those of other companies in the foodservice industry that have recorded these marketing costs as a reduction in revenues.

This change decreases sales for the year by $12.7 million (2002; $5.8 million). The change decreases cost of goods sold for the year by $11.4 million (2002; $4.6 million) and decreases administrative and marketing expenses by $1.3 million (2002; $1.2 million).

Marketing costs that have been reclassified to net against revenues have also been reclassified on the balance sheet from accrued liabilities to net against accounts receivable. The impact on the balance sheet of this reclassification is a decrease in both accounts payable and accrued liabilities and accounts receivable by $3.6 million as at December 31, 2003 (2002; $3.4 million).

One marketing agreement has been reclassified from sales to commission income to better reflect the terms of the specific agreement. This change decreases sales for the year by $10.4 million (2002; $14.9 million). The change decreases cost of goods sold for the year by $10.0 million (2002; $14.4 million) and increases commission income for the year by $0.4 million (2002; $0.5 million).

OUTLOOK FOR 2004

Management believes the principal focus for 2004 will be to further increase the competitiveness and operating efficiencies of the Primary Group and to continue to grow the Marketing and Value Added Group to maximize the Company's potential. The strengthened Canadian dollar versus the last two years will continue to put downward pressure on margins for the Company.

The Primary Group strategy is to drive operational efficiencies with a view to achieving acceptable returns on the significant capital investments that have been made by the Company in the last two years. A key factor for the Group achieving acceptable and consistent performance relates to the stability of the inshore snow crab and coldwater shrimp industries in Newfoundland and Labrador, which will require a structure and regulatory framework that is acceptable to the processing and harvesting sector in 2004. Management believes that it can further improve productivity and reduce costs in several areas of the Primary Group's business, however, a significant portion of the benefit of such improvements will continue to be offset by the strengthened Canadian dollar. If the inshore snow crab and coldwater shrimp industries do not find acceptable regulatory and operating structures in 2004, these parts of the Primary Group's business will be negatively affected, such as through interruptions in production which were similar to that experienced by the Group in 2003.

The Marketing and Value Added Group strategy is to continue its efforts to become the category leader for seafood in the North American marketplace. In 2004, the Group will seek to further increase its retail/club product presence in the U.S. market and management expects there will be a change in the Group's product mix, with a view to achieving more balance between foodservice sales and retail/club sales. Additionally, management expects to achieve increased sales from its new product development efforts, most notably for the UpperCrust™ Natural Cut Fillet Entrées line and the Margaritaville® Shrimp line. As part of the focus on increasing retail/club sales, management expects that selling expenses will also increase for new listings and promotional costs associated with these efforts, which would be expected to reduce margins on the new product launches for 2004. Notwithstanding, the Marketing and Value Added Group management will also focus on increasing margins from those achieved in 2003.

The Company's strategy for 2004 is different for each operating Group but has a common objective of improving returns from investments of 2003. Each Group has its own challenges and opportunities for 2004 as discussed above. Management's financial objective of seeking double-digit return on equity, while not likely to be achieved within the two-year time frame that we targeted last year, is still our plan; and we remain committed to achieving this objective.

FORWARD-LOOKING STATEMENTS

This Management's Discussion and Analysis contains, in accordance with applicable Canadian securities laws and policies, certain forward-looking information about the Company's business and anticipated trends and developments. Such disclosures amount to forward-looking statements, which are subject to significant risks and uncertainties. These forward-looking statements arise out of management's experience, perception of trends, current conditions, and expected future developments, as well as other factors.

Readers are cautioned not to place undue reliance on forward-looking statements, as a number of important factors, as discussed herein and in the Company's other continuous disclosure documents, could cause actual results to differ materially from historical results and from the results contemplated by such forward-looking statements. The Company includes in publicly available documents, filed from time to time with Canadian securities regulatory authorities, a thorough discussion of the risk factors that could cause the Company's anticipated outcomes to differ from actual outcomes.

INVESTOR INFORMATION

Financial and related information about the Company, including annual and quarterly reports, annual information forms, and press releases are available electronically on the Internet through SEDAR at www.sedar.com or on FPI's corporate website, www.fpil.com.

MANAGEMENT'S RESPONSIBILITIES FOR FINANCIAL REPORTING

The accompanying consolidated financial statements were prepared by management in accordance with Canadian generally accepted accounting principles, consistently applied, and include some amounts based upon management's best estimates and judgments. Any financial information contained elsewhere in the Annual Report conforms to the financial statements.

Management is responsible for developing and maintaining the necessary systems of internal controls to provide reasonable assurance that transactions are authorized, assets safeguarded, and that the financial records form a reliable base for the preparation of accurate and timely financial information. The Board of Directors has established an Audit Committee, comprised of five directors who are not officers or employees of the Company, to ensure that management fulfills these responsibilities. The Audit Committee meets periodically with management and the shareholders' external auditors to ensure that their responsibilities are properly discharged with respect to financial statement presentation and disclosure and recommendations on internal control.

The shareholders' external auditors, Ernst & Young LLP, have audited the Company's consolidated financial statements in accordance with Canadian generally accepted auditing standards and their report follows. The external auditors have full unrestricted access to the Audit Committee to discuss their audit and their related findings as to the integrity of the financial reporting process.

ON BEHALF OF THE COMPANY:

Derrick H. Rowe
Chief Executive Officer

Bernard E. Beckett
Chief Financial Officer

February 16, 2004

ERNST & YOUNG

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of FPI Limited as at December 31, 2003, and 2002, and the consolidated statements of operations, retained earnings and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2003, and 2002, and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Ernst + Young LLP

Chartered Accountants
St. John's, Canada

February 16, 2004

CONSOLIDATED BALANCE SHEETS

As at December 31, dollars in thousands		2003	2002
Assets			
Current assets			
Cash	$	**7,018**	9,954
Accounts receivable (note 2)		**84,207**	83,097
Inventories (note 2)		**128,251**	145,844
Prepaid expenses		**4,845**	5,754
Future income tax assets (note 11)		**1,713**	2,571
Capital assets held for resale (note 3)		**2,520**	–
Total current assets		**228,554**	247,220
Capital assets (note 3)		**152,567**	110,253
Future income tax assets (note 11)		**15,438**	17,235
Other assets (note 5)		**13,959**	12,790
	$	**410,518**	387,498
Liabilities and Shareholders' Equity			
Current liabilities			
Bank indebtedness (note 6)	$	**70,800**	66,746
Accounts payable and accrued liabilities		**49,478**	50,566
Current portion of long-term debt (note 7)		**8,010**	13,621
Total current liabilities		**128,288**	130,933
Long-term debt (note 7)		**96,347**	55,607
Deferred revenue (note 7)		**633**	–
		225,268	186,540
Shareholders' equity			
Share capital (note 8)		**51,268**	51,332
Contributed surplus		**71,435**	71,598
Retained earnings		**76,073**	77,491
Foreign currency translation adjustment (note 10)		**(13,526)**	537
		185,250	200,958
	$	**410,518**	387,498

See accompanying notes to consolidated financial statements

ON BEHALF OF THE BOARD:

Eric F. Barratt
Chair, Audit Committee

Rex C. Anthony
Chairman, Board of Directors

CONSOLIDATED STATEMENTS OF OPERATIONS

Years ended December 31, dollars in thousands, except per share amounts	2003	2002
Sales	$ 758,943	720,079
Cost of goods sold	676,355	635,773
Gross profit	82,588	84,306
Commission income	4,981	4,225
	87,569	88,531
Administrative and marketing expenses	51,293	51,323
Amortization	11,619	9,877
Interest (note 7)	8,059	5,797
Provision for fleet rationalization (note 3)	6,133	–
Provision for pension curtailment and other assets (note 5)	5,071	–
Income before income taxes	5,394	21,534
Income taxes (note 11)	3,733	7,763
Net income for the year	$ 1,661	13,771
Earnings per share (note 14)		
Basic	$ 0.11	0.89
Diluted	$ 0.11	0.89

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

Years ended December 31, dollars in thousands	2003	2002
Retained earnings, beginning of year	$ 77,491	66,491
Net income for the year	1,661	13,771
	79,152	80,262
Dividends	3,079	2,771
Retained earnings, end of year	$ 76,073	77,491

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, dollars in thousands	2003	2002
Operations		
Net income for the year	$ **1,661**	13,771
Add (deduct) items not affecting cash		
Amortization	**11,619**	9,877
Future income tax	**1,360**	1,496
Net gain on disposal of capital assets	**(460)**	(1,004)
Provision for fleet rationalization	**6,133**	–
Pension curtailment expense	**2,171**	–
Cash provided by operations before the undernoted	**22,484**	24,140
Changes in non-cash working capital balances related to operations		
Accounts receivable	**(7,860)**	(7,402)
Inventories	**2,589**	(17,099)
Prepaid expenses	**452**	(1,397)
Accounts payable and accrued liabilities	**2,357**	9,114
Foreign currency translation adjustments	**(2,312)**	(3,128)
Accrued benefit asset	**68**	1,684
Cash provided by operating activities	**17,778**	5,912
Investing		
Additions to capital assets	**(66,223)**	(26,646)
Proceeds from disposal of capital assets	**851**	4,013
Decrease in mortgages receivable	**201**	741
Increase in deferred revenues	**633**	–
Other investing activities	**(3,107)**	1,233
Cash applied to investing activities	**(67,645)**	(20,659)
Financing		
Issue of long-term debt	**95,445**	14,460
Repayment of long-term debt	**(53,440)**	(11,523)
Net change in bank indebtedness	**8,656**	22,951
Dividends paid	**(3,079)**	(2,771)
Issue of common shares	**125**	181
Repurchase of common shares	**(455)**	(67)
Stock option expense	**103**	–
Cash provided by financing activities	**47,355**	23,231
Effect of exchange rate changes on cash	**(424)**	(107)
Change in cash position during the year	**(2,936)**	8,377
Cash position, beginning of year	**9,954**	1,577
Cash position, end of year	$ **7,018**	9,954

Supplemental cash flow information (note 17).
See accompanying notes to consolidated financial statements

Years ended December 31, 2003, and 2002
(tabular amounts expressed in thousands of dollars except where otherwise noted)

BASIS OF PRESENTATION

FPI Limited ("FPI" or the "Company") is incorporated under The Corporations Act of the Province of Newfoundland and Labrador. The Company business is the harvesting and global sourcing of raw material for processing into both primary and value added seafood in its primary and value added processing plants in North America. The Company also globally sources market-ready primary products for marketing directly to its customers. Sales, marketing, and distribution of products are carried on in Canada, the United States ("U.S."), Europe, Japan, China, and South-east Asia. These consolidated financial statements include the accounts of the Company and those of its subsidiaries, together with the Company's proportionate share of the assets, liabilities, revenues, and expenses of a joint controlled entity.

1. ACCOUNTING POLICIES

The significant accounting policies of the Company and its consolidated subsidiary companies are set out below. These policies are in accordance with Canadian generally accepted accounting principles.

USE OF ESTIMATES The preparation of the consolidated financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions based on currently available information. Such estimates and assumptions may affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as at the reporting date, and the reported amounts of revenue and expenses during the fiscal period. Actual results could differ from the estimates and assumptions used.

REVENUE RECOGNITION Sales are recognized in income when the related products have been shipped to customers. Revenue is recorded net of various customer marketing costs including volume rebates, buying group rebates, and various other trade marketing costs.

During 2003, the Company reclassified various customer marketing costs including volume rebates, cooperative advertising, demos, buying group rebates, and various other trade marketing costs from cost of goods sold to revenue to reflect guidance provided in certain U.S. accounting recommendations, including Securities and Exchange Commission Staff Accounting Bulletin 101 ("SAB 101") and various related Emerging Issues Task Force abstracts from the Financial Accounting Standards Board that clarify SAB 101.

Comparative figures have been reclassified to reflect this change. The change results in a reclassification of costs on the consolidated statements of operations but does not impact the net income of the Company. This change decreases sales for the year by $12.7 million (2002; $5.8 million). The change decreases cost of goods sold for the year by $11.4 million (2002; $4.6 million) and decreases administrative and marketing expenses for the year by $1.3 million (2002; $1.2 million).

Marketing costs that have been reclassified to net against revenues have also been reclassified on the consolidated balance sheets from accrued liabilities to net against accounts receivable. The impact on the consolidated balance sheets of this reclassification is a decrease in both accounts payable and accrued liabilities and accounts receivable by $3.6 million as at December 31, 2003 (2002; $3.4 million).

COMMISSION INCOME Commission income is recognized on consignment arrangements held by the Company. One marketing agreement has been reclassified from sales to commission income to better reflect the terms of the specific agreement. This reclassification decreased sales for the year by $10.4 million (2002; $14.9 million), decreased cost of goods sold for the year by $10.0 million (2002; $14.4 million), and increased commission income for the year by $0.4 million (2002; $0.5 million).

INVENTORIES Inventories of finished goods are valued at the lower of cost and net realizable value. Inventories of materials and supplies are valued at the lower of cost and replacement cost. Cost is determined on a weighted average basis.

CAPITAL ASSETS Capital assets are carried at cost. Interest on debt incurred to finance the construction of a capital asset is included in the cost of the asset during the construction period.

Amortization of capital assets is provided on a straight-line basis over the following estimated useful lives of the assets:

	Years
Buildings and wharves	8 - 40
Machinery and equipment	10 - 15
Vessels and vessel equipment	25 - 35

DEFERRED FINANCING COSTS Transaction costs pertaining to the issue of term debt are deferred and amortized over the term of the debt. Amortization of these deferred charges is included in interest expense.

FOREIGN CURRENCY TRANSLATION The majority of the Company's foreign subsidiary operations are classified as self-sustaining operations. Assets and liabilities are translated at exchange rates in effect at the balance sheet date. Revenues and expenses are translated at average exchange rates prevailing during the year.

1. ACCOUNTING POLICIES (CONTINUED)

FOREIGN CURRENCY TRANSLATION (CONTINUED)

The resulting net gains or losses, together with those related to short-term and long-term borrowings in U.S. dollars ("USD") and designated since January 1, 1998, as a hedge of the self-sustaining foreign subsidiary operations, are accumulated in a separate component of shareholders' equity, described in the consolidated balance sheets as foreign currency translation adjustment. These transactions are accounted for as hedges to the extent that they are designated as, and effective as, hedges of the net investment in the self-sustaining operations.

The Company's foreign subsidiary sales operation based in Germany is classified as an integrated operation. Exchange gains or losses arising on the translation of the current and long-term monetary items of this operation are included in the determination of net income. Non-monetary assets and liabilities are translated at historical exchange rates.

Effective January 1, 2002, the Company implemented the new recommendations of the Canadian Institute of Chartered Accountants ("CICA") with respect to accounting for foreign currency translation. All exchange gains and losses arising from the translation of long-term debt held in foreign currencies that are not designated as a hedge of self-sustaining operations are now included in income. Previously, unrealized foreign exchange gains or losses in relation to long-term debt accumulated prior to January 1, 1998, were deferred and amortized over the remaining term of the related debt.

EMPLOYEE FUTURE BENEFITS The Company has retirement plans which provide for defined benefits for all employees, other than unionized employees in Canada subsequent to October 31, 2003, and certain employee groups in the U.S. and Europe who are members of defined contribution plans. The defined benefit plans provide pensions based on final average earnings and in one plan, a flat benefit. In addition, the Company sponsors defined benefit life insurance and health care plans for eligible retired employees. Obligations under the employee benefit plans are accrued as the employees render the service necessary to earn the pension and other employee future benefits.

The Company's policies for accounting for future employee benefits are as follows:

- The cost of pensions and other retirement benefits earned by employees is actuarially determined using the projected benefit method prorated on services and management's best estimates of expected plan investment performance, salary escalation, retirement ages of employees, and expected health care costs.
- For the purpose of calculating expected return on plan assets, those assets are valued at fair value.
- Past service costs from plan amendments are amortized on a straight-line basis over the average remaining service life of employees active at the date of amendment.
- The excess of the net actuarial gain (loss) over 10% of the greater of the accrued benefit obligation and the fair value of plan assets is amortized over the average remaining service life of active employees.
- When a restructuring of a benefit plan gives rise to both a curtailment and a settlement of obligations, the curtailment is accounted for prior to settlement.

INCOME TAXES The Company follows the liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on the differences between the financial reporting and tax basis of assets and liabilities and are measured using substantively enacted tax rates and laws that are expected to be in effect in the periods in which the future tax assets or liabilities are expected to be realized or settled. The effect of a change in income tax rates on future income tax assets and liabilities is recognized in income in the period that the change occurs. Current income tax expense is recognized for the estimated income taxes payable for the current year. Future income tax expense is the net difference between the beginning and ending balances for future income tax assets and liabilities.

STOCK-BASED COMPENSATION PLANS The Company has stock-based compensation plans for directors, executives, and certain senior managers, which are described in note 9. For stock-based compensation awards granted by the Company after January 1, 2003, the Company has changed its accounting policy to record compensation expense upon issuance of stock options to employees calculated using the fair value method. Compensation expense recognition commences when stock options are issued, with full recognition over the estimated vesting period. The expense to be amortized over the vesting period is determined using the Black-Scholes model. This accounting change has been applied prospectively and resulted in an increase in expense of $0.1 million for the year ended December 31, 2003.

As permitted under the new CICA accounting standard for Stock-Based Compensation and Other Stock-Based Payments, the Company does not record compensation expense for stock options granted to employees under its own stock option plan prior to January 1, 2003.

However, as required by the new CICA standard, the Company discloses the pro-forma net income and pro-forma earnings per share using the fair market value method of accounting for stock-based compensation awards for those awards issued during the 12 months ended December 31, 2002. This pro-forma information is presented in note 14.

EARNINGS PER SHARE The Company follows the treasury stock method of calculating diluted earnings per share. Accordingly, diluted earnings per share is computed based on the weighted average number of common shares outstanding and dilutive common share equivalents.

1. ACCOUNTING POLICIES (CONTINUED)

FINANCIAL INSTRUMENTS

Forward Contracts and Option Agreements The Company periodically enters into forward foreign exchange contracts and option agreements to buy or sell various foreign currencies in order to limit exposure to exchange rate fluctuations. Foreign currency cash flow may be hedged up to a maximum of 100%, 24 months into the future. Gains or losses on translation of the hedge transactions are recognized in income in the same period as gains and losses on the underlying transactions are recognized.

Interest Rate Risk Management The Company also enters into interest rate swap agreements to hedge the impact of rate changes on bank indebtedness and long-term debt. The terms of these contracts generally match the terms associated with the underlying debt instruments. These contracts are used to fix the interest rates on the variable rate debt. Interest to be paid or received under such swap contracts is recognized over the life of the contracts as adjustments to interest expense. Unrealized gains or losses resulting from market movements are not recognized.

During 2003, the Company also entered into a bond forward to hedge against interest rate fluctuations during the negotiation of debt financing. The premium received on the bond forward is classified as deferred revenue on the consolidated balance sheet. The deferred revenue is being amortized over the life of the debt to which t relates and is being recorded as an adjustment to interest expense.

Derivative Financial Instruments Outside Hedging Relationships Certain derivative financial instruments held by the Company during 2003 do not qualify as hedging instruments. These instruments are accounted for using the mark-to-market method. Under the mark-to-market method of accounting, contracts are recorded at fair values in the balance sheet. Changes in the balance sheet accounts result primarily from changes in the valuation of the portfolio of contracts, new transactions, and the maturity and settlement of certain contracts. The market prices used to value these transactions reflect management's best estimate considering various factors including closing exchange and over-the-counter quotations, time value, and volatility factors underlying the commitments. Net unrealized gains and losses recognized in a period are included in administrative and marketing expenses in the consolidated statements of operations.

2. CURRENT ASSETS

(A) ACCOUNTS RECEIVABLE

	2003	2002
Trade	$ **67,527**	66,744
Other	**16,680**	16,353
	$ **84,207**	83,097

(B) INVENTORIES

	2003	2002
Finished goods	$ **85,282**	99,103
Raw materials and supplies	**42,969**	46,741
	$ **128,251**	145,844

3. CAPITAL ASSETS

	2003	2002
Buildings, wharves, and land	$ **75,553**	71,518
Machinery and equipment	**133,305**	118,382
Vessels and vessel equipment	**83,170**	68,074
	292,028	257,974
Less accumulated depreciation		
Buildings and wharves	**38,187**	37,342
Machinery and equipment	**79,006**	78,347
Vessels and vessel equipment	**22,318**	32,032
	139,511	147,721
Deactivated vessels and vessel equipment	**50**	–
Net book value	$ **152,567**	110,253

nterest in the amount of $48,000 (2002; $476,000) has been capitalized and included in the cost of vessels and vessel equipment.

Included in vessels and vessel equipment is an amount of $9,100,000 pertaining to a vessel currently under construction. This amount is not currently being amortized.

The Company recognized a provision for fleet rationalization of $6,133,000 for the year ended December 31, 2003, pertaining to vessels that are no longer in use. These vessels became redundant as a result of replacement by new vessels purchased during 2002 and the current year.

Excluded from the above are capital assets held for resale of $2,520,000 now recorded in current assets. Subsequent to year end, these vessels were sold and cash was received.

4. JOINT VENTURE

The Company has a 25% interest in a joint control entity, Katsheshuk Fisheries Limited ("KFL"). The consolidated financial statements include the Company's proportionate share of the assets, liabilities, revenues, and expenses of the entity, the material elements of which are as follows:

		2003	2002
Current assets	$	**926**	3,402
Capital assets, net book value		**3,862**	–
Other assets		**–**	48
	$	**4,788**	3,450
Current liabilities	$	**935**	2,801
Long-term liabilities		**3,364**	–
	$	**4,299**	2,801
Sales	$	**892**	224
Gain on disposal		**–**	972
Expenses		**803**	618
Net income	$	**89**	578
Cash flow generated from (applied to):			
Operating activities	$	**(399)**	(259)
Financing activities	$	**1,208**	(935)
Investing activities	$	**(3,879)**	3,866

In 2003, KFL purchased a vessel, the *Katsheshuk II*, for a total capital cost of $15,600,000, which includes vessel purchase price, required modifications, and related equipment. This vessel replaced the *Katsheshuk*, which, during 2002, caught fire at sea and sank during salvage operations.

The purchase of the *Katsheshuk II* was financed through two term loans totalling $13,100,000, shareholder loans totalling $2,000,000, and $500,000 of working capital. Of the $2,000,000 of total shareholder loans, the Company contributed $500,000, its proportionate amount. The term loans mature in September 2008 and September 2013 and have effective interest rates of 5.09% and 6.23%, respectively (after considering the interest rate swaps that fixed the interest rate) and are secured by a first marine mortgage on the vessel. The Company's proportionate ownership of the debt is $3,275,000. The term loans are also secured by a guarantee of the joint venturers for $2,000,000. The Company's share of the guarantee is $667,000 (one third of the guaranteed amount).

As at December 31, 2002, KFL had a cash balance received from insurance proceeds from the loss of the *Katsheshuk* during 2002. This cash was restricted by the bank to which a term loan on the vessel was due. The Company's proportionate share of the restricted cash was $2,875,000 and was included with free cash on the balance sheet as at December 31, 2002.

5. OTHER ASSETS

		2003	2002
Accrued benefit asset (note 12)	$	**8,372**	10,611
Mortgages receivable		**1,477**	1,943
Deferred financing costs		**3,312**	–
Other assets		**798**	236
	$	**13,959**	12,790

Mortgages receivable represent advances to independent fish harvesters and are secured by vessels. The current portion of mortgages receivable included in accounts receivable (other) amounts to $1,943,000 (2002; $2,047,000). Mortgages receivable bear interest at rates that fluctuate with prime and have repayment terms up to eight years. The carrying amount of the mortgages receivable approximates fair value based on the variable interest rates charged on the mortgages.

In December 2003, the Company recorded a pension curtailment expense and a provision for the carrying value of other assets. Included in this provision is a curtailment expense of $2,171,000 pertaining to the accrued benefit asset (note 12). Also included is a provision against a long-term receivable amounting to $2,900,000, which had been advanced during the year and recorded in other assets.

6. BANK INDEBTEDNESS

At December 31, the Company has $70,800,000 (2002; $66,746,000) outstanding in bank operating loans. The Company has operating lines of credit available of $90,000,000 (2002; $90,000,000). Interest rates on the debt outstanding as at December 31, 2003, range from 2.03% to 3.88%.

The Company has provided accounts receivable and inventories as collateral for the bank operating loans. Accounts receivable and inventory were also provided as collateral for certain term loan facilities as at December 31, 2002. Included in bank indebtedness are bankers acceptances denominated in USD amounting to USD $21,000,000 (2002; USD $34,000,000) and CAD amounting to $40,000,000 (2002; $9,500,000). The maturity dates on the debt range from January 6, 2004, to May 25, 2004.

7. LONG-TERM DEBT

		2003	2002
6.23% secured bank term loan maturing in 2013	$	**27,787**	–
4.85% secured bank term loan maturing in 2013 (2003 - USD $17,195; 2002 - USD $nil)		**22,223**	–
6.51% secured bank term loan maturing in 2013		**16,107**	–
6.36% marine mortgage maturing in 2015 (2003 - USD $11,157; 2002 - USD $nil)		**14,419**	–
7.79% marine mortgage maturing in 2012		**12,939**	13,972
Advances for vessel construction (2003 - USD $5,099; 2002 - USD $nil)		**6,590**	–
Joint venture debt (note 4)		**3,193**	2,235
9.43% marine mortgage maturing in 2004 (2003 - USD $850; 2002 - USD $1,700)		**1,099**	2,685
Various secured non-revolving bank term debt with interest rates ranging from 6.19% to 8.95% refinanced in 2003		**-**	50,336
		104,357	69,228
Less current portion		**8,010**	13,621
	$	**96,347**	55,607

In May 2003, the Company's lead banker provided notice that it had assigned its non-revolving bank term debt with the Company and directed all future payments to be made to the new assignee bank. This non-revolving bank term debt had an outstanding principal balance of CAD $33,260,000 and USD $9,280,772 with maturity dates ranging from September 2004 to December 2011. Following such assignment, the Company refinanced the non-revolving bank term debt with the assignee bank with new ten-year term floating interest rate credit facilities for CAD $28,500,000 and USD $18,100,000 maturing in 2013 and secured by certain capital assets of the Company. The floating interest rates on these facilities as at December 31, 2003, were 4.12% and 2.37%, respectively. As part of the refinancing arrangement with the assignee bank, the Company also received approval for an additional ten-year term floating interest rate credit facility for CAD $25,000,000 maturing in 2013 and secured by certain capital assets of the Company, proceeds of which are for infrastructure improvements to plant and equipment (collectively, two term loans and credit facility with the new lending bank are referred to as "the Credit Facilities"). As at December 31, 2003, the Company had drawn CAD $16,452,000 on the CAD $25,000,000 credit facility. The floating rate on this facility as at December 31, 2003, was 4.17%.

The Company has entered into interest rate swaps to fix the interest rate for the first five years of the Credit Facilities. The effective interest rates, therefore, for the first five years on the CAD $28,500,000, USD $18,100,000 and the CAD $16,452,000 Credit Facilities are 6.23%, 4.85%, and 6.51%, respectively.

The Company entered into a marine mortgage for USD $11,340,000 at an effective interest rate of 6.36% (after considering the benefit of a bond forward hedge realized) for a twelve-year term with an amortization period of 15 years. Proceeds from this term financing were used to finance a factory freezer trawler, the *Newfoundland Marten*. The term debt is secured by a first marine mortgage on the vessel, which has a carrying value of $16,418,000. The premium received on the bond forward is classified as deferred revenue on the Company's consolidated balance sheets. The deferred revenue is being amortized over the life of the debt on the same basis as interest expense relating to this debt and is netted in interest expense on the consolidated statements of operations.

During 2003, the Company also received unsecured floating rate interim financing in the amount of USD $5,099,000 (CAD $6,590,000) for progress payments for the construction of a factory freezer trawler, the *Newfoundland Lynx*. The Company has also arranged term financing from the lender in the amount of USD $12,200,000 with a ten-year term and a twenty-year amortization period, to be secured by a first marine mortgage on the new vessel. The Company has entered into a bond forward to fix the interest rate on this term financing at 6.15%, effective March 31, 2004, the anticipated draw date of the loan.

7. LONG-TERM DEBT (CONTINUED)

The 7.79% marine mortgage is secured by a vessel, which has a carrying value of $15,881,000 (2002: $16,007,000). As collateral for the 9.43% marine mortgage, the Company has provided a charge over a vessel with a carrying value of $11,859,000 (2002: $11,852,000).

Annual principal repayments of long-term debt are as follows:

2004	$	8,010
2005		7,092
2006		7,234
2007		7,388
2008		10,105
Thereafter		64,528
	$	104,357

The estimated fair value of the Company's long-term debt, including the current portion, at December 31, 2003, and 2002, was $100,383,000 and $75,238,000, respectively. Fair value has been estimated based on discounting expected future cash flows at the discount rates which represent borrowing rates presently available to the Company for loans with similar terms and maturities.

Interest expense of $8,059,000 (2002: $5,797,000) includes interest on long-term debt in the amount of $5,657,000 (2002: $4,378,000). Included in interest on long-term debt is the amortization of deferred revenue pertaining to a hedge on a long-term debt in the amount of $33,000 (2002: $nil) and the amortization of deferred financing costs of $164,000 (2002: $nil) pertaining to the Credit Facilities.

8. SHARE CAPITAL

(A) AUTHORIZED Unlimited number of common shares without par value. Unlimited number of preference shares without par value.

(B) ISSUED

	2003			2002		
	Number of Common Shares		**Stated Capital**	Number of Common Shares		Stated Capital
Balance, beginning of year	**15,412,872**	**$**	**51,332**	15,390,033	$	51,174
Issued under employee and executive share purchase plans for cash	**19,198**		**125**	29,739		181
Repurchased by the Company	**(56,500)**		**(189)**	(6,900)		(23)
Balance, end of year	**15,375,570**	**$**	**51,268**	15,412,872	$	51,332

(C) SHARE REPURCHASE The Company acquired 56,500 (2002: 6,900) common shares pursuant to a normal course issuer bid which expired in December 2003 (2002: November 2002). These shares were purchased for cancellation at an aggregate cost of $455,000 (2002: $67,000), of which $189,000 (2002: $23,000) was charged to share capital, based on the average per share amount in the share capital account at the date of purchase, and the balance of $266,000 (2002: $44,000) was charged to contributed surplus.

During the year, the Company announced a renewal of the normal course issuer bid pursuant to which the Company could purchase up to 768,623 of its common shares. As at December 31, 2003, the Company had not acquired any additional shares pursuant to this renewed bid.

9. STOCK-BASED COMPENSATION PLANS

(A) 2000 PERFORMANCE STOCK OPTION PLAN On May 1, 2000, the Company, following approval by shareholders and the Board of Directors, established a new stock option plan, the 2000 Performance Stock Option Plan. This plan was amended on July 4, 2001. Under this plan, the Company may grant options to executives and certain senior managers for up to 1,395,000 common shares. The Company has 318,200 shares remaining to be granted under this stock option plan. The exercise price of each option will be the closing market price of the common shares on the trading day immediately preceding the date of grant. These options have a maximum term of ten years and vest as to 20% when the market price has increased 12% over the exercise price, and exceeds that level for 20 consecutive trading days, and an additional 20% of options for each additional 12% increase in the market price. Options which have not vested within five years after the date of grant will expire unvested.

A summary of the status of the Company's performance stock option plan as of December 31, 2003, and 2002, and changes during the years ended on those dates, is presented below.

	2003		2002	
	Number of Options	**Weighted Average Exercise Price**	Number of Options	Weighted Average Exercise Price
Outstanding at beginning of year	**827,000**	**$ 8.91**	385,000	$ 9.54
Granted	**257,000**	**8.14**	533,000	8.45
Cancelled	**(25,000)**	**8.32**	(91,000)	8.88
Outstanding at end of year	**1,059,000**	**$ 8.74**	827,000	$ 8.91
Options exercisable at end of year	**9,600**	**$ 8.65**	10,400	$ 8.65

The options outstanding at December 31, 2003, have exercise prices ranging from $7.90 to $10.37, or $8.74 on average, and a weighted average remaining contractual life of 8.1 years.

(B) EXECUTIVE STOCK OPTION PLAN Under the Executive Stock Option Plan, the Company may grant options to executives and certain senior managers for up to 1,000,000 common shares. The Company has 2,300 shares remaining to be granted under this stock option plan. The exercise price of each option equals the market price of the Company's stock on the date of grant and the maximum term of an option is ten years.

Options to purchase shares of the Company vest as to 25% on the date of grant and 25% on each of the three succeeding anniversaries of the date of grant.

A summary of the status of the Company's Executive Stock Option Plan as of December 31, 2003, and 2002, and changes during the years ended on those dates, is presented below.

	2003		2002	
	Number of Options	**Weighted Average Exercise Price**	Number of Options	Weighted Average Exercise Price
Outstanding at beginning of year	**51,000**	**$ 5.68**	95,800	$ 6.15
Exercised	**(11,500)**	**5.57**	(23,050)	4.84
Cancelled	**-**	**-**	(21,750)	8.63
Outstanding at end of year	**39,500**	**$ 5.71**	51,000	$ 5.68
Options exercisable at end of year	**39,500**	**$ 5.71**	50,000	$ 5.51

The options outstanding at December 31, 2003, have exercise prices ranging from $4.84 to $9.43, or $5.71 on average, and a weighted average remaining contractual life of 1.5 years.

9. STOCK-BASED COMPENSATION PLANS (CONTINUED)

(C) EMPLOYEE SHARE PURCHASE PLAN The Company has reserved 166,917 (2002; 174,615) common shares, issuable at market value, under an employee share purchase plan. During the year, 7,698 (2002; 6,689) common shares were issued under this plan.

10. FOREIGN CURRENCY TRANSLATION ADJUSTMENT

The foreign currency translation adjustment represents net gain or losses on the translation of the net assets of self-sustaining foreign operations, as well as the net gains or losses related to short-term and long-term borrowings in USD designated as hedges of the net investments in the self-sustaining foreign operations.

Included in the foreign currency translation adjustment during 2003 was an unrealized loss of $20,051,000 (2002; $1,282,000) pertaining to the translation of the net assets of self-sustaining foreign operations. Also included was a gain of $5,988,000 (2002; loss of $1,187,000) pertaining to short-term and long-term borrowings in USD, designated as hedges of the net investments in the self-sustaining foreign operations.

11. INCOME TAXES

Major components of income tax expense are as follows:

		2003	2002
Current	$	**2,373**	6,251
Future income tax expense relating to origination and reversal of temporary differences		**1,204**	2,044
Future income tax expense (benefit) resulting from change in valuation allowance		**156**	(532)
	$	**3,733**	7,763

As the Company operates in several tax jurisdictions, its income is subject to various rates of taxation. The provision for income taxes differs from the amount that would have resulted from applying the statutory income tax rates to income before taxes as follows:

		2003			2002	
		Amount	**%**		Amount	%
Income tax expense computed at statutory rates	$	**2,007**	**37.2**	$	8,442	39.2
Effect of lower foreign tax rates		**116**	**2.1**		(128)	(0.6)
Manufacturing and processing tax credit		**9**	**0.2**		(317)	(1.5)
Effect of future tax rate reductions		**5**	**0.1**		(25)	(0.1)
Change in valuation allowance		**156**	**2.9**		(532)	(2.5)
Permanent differences		**880**	**16.3**		151	0.7
Large corporations tax		**454**	**8.4**		395	1.8
Other tax differences		**106**	**2.0**		(223)	(1.0)
	$	**3,733**	**69.2**	$	7,763	36.0

11. INCOME TAXES (CONTINUED)

The tax effects of temporary differences that give rise to significant portions of the future tax assets and future tax liabilities at December 31, 2003, and 2002, are presented below:

		2003	2002
Future income tax assets			
Capital assets	$	**22,176**	24,046
Accounts payable and accrued liabilities		**1,156**	963
Intangibles		**449**	697
Loss carry forwards		**2,039**	1,810
Inventory		**184**	1,160
Other		**1,463**	2,028
		27,467	30,704
Less valuation allowance		**7,315**	7,159
Future income tax assets	$	**20,152**	23,545
Future income tax liabilities			
Accrued benefit costs	$	**2,645**	3,403
Deferred exchange		**201**	131
Other		**155**	205
Future income tax liabilities	$	**3,001**	3,739
Net future tax asset	$	**17,151**	19,806
Classified as:			
Future income tax asset – current	$	**1,713**	2,571
Future income tax asset – non-current	$	**15,438**	17,235

The Company has approximately $1,380,000 in non-capital loss carry forwards which are available to reduce future Canadian income taxes otherwise payable. The Company has recognized $690,000 of these non-capital loss carry forwards. The expiry of these losses is as follows:

2004	$	66
2005		27
2006		1,054
2007		29
2008		14
2009		123
2010		67
	$	1,380

In addition, the Company has approximately $9,291,000 in capital loss carry forwards, which are available to reduce future Canadian taxable capital gains. None of these capital losses have been recognized.

12. EMPLOYEE FUTURE BENEFITS

		2003		2002
	Pension Plans	Other Benefit Plans	Pension Plans	Other Benefit Plans
Plan assets				
Market value at beginning of year	$ 80,465		84,838	
Actual return on plan assets	4,119		416	
Return of ineligible prior year employer contributions	-		(1,965)	
Employee contributions	540		566	
Benefits paid	(3,013)		(3,390)	
Market value at end of year	82,111		80,465	
Plan obligations				
Accrued benefit obligations at beginning of year	63,400	2,510	64,901	2,339
Current service cost	3,138	150	3,139	150
Interest cost	4,125	169	3,805	151
Benefits paid	(3,013)	(130)	(3,390)	(130)
Actuarial gains (losses)	1,582	-	(5,055)	–
Curtailment expense (note 5)	2,171	-	–	–
Accrued benefit obligations at end of year	71,403	2,699	63,400	2,510
Plan surplus (deficit)				
End of year market value less accrued benefit obligation	10,708	(2,699)	17,065	(2,510)
Unamortized transitional (asset) obligation	(11,781)	1,292	(12,875)	1,400
Unamortized net actuarial loss	10,693	159	7,372	159
Accrued benefit asset (obligations)	$ 9,620	(1,248)	11,562	(951)
Benefit plan expense (income)				
Current service cost, net of employee contributions	$ 2,598	150	2,573	150
Interest cost	4,125	169	3,805	151
Expected return on plan assets	(5,942)	-	(6,185)	–
Amortization of net actuarial loss	84	-	210	–
Amortization of past service costs	-	-	123	–
Curtailment expense	2,171	-	–	–
Amortization of transitional (asset) liability	(1,094)	108	(1,094)	116
Net benefit plan expense (income)	$ 1,942	427	(568)	417

12. EMPLOYEE FUTURE BENEFITS (CONTINUED)

	2003		2002	
	Pension Plans	**Other Benefit Plans**	Pension Plans	Other Benefit Plans
Weighted average actuarial assumptions				
Discount rate	**6.25%**	**6.25%**	6.25%	6.25%
Expected long-term rate of return on plan assets	**7.5%**	**-**	7.5%	–
Rate of compensation increase	**4.0%**	**-**	4.0%	–
Annual rate of increase in covered health care benefits	**-**	**7.5%**	–	7.5%
Remaining service period of active employees (years)	**10-21**	**13**	2-21	13

In December 2003, the Company reached an agreement with the Fish, Food and Allied Workers Union and the Canadian Allied Workers Union to wind up the *Pension Plan for the Unionized Employees of Fishery Products International Limited* effective October 31, 2003. Subsequent to year end, the Newfoundland Superintendent of Pensions approved the wind up of the plan. The aforementioned curtailment expense results from the wind up.

The total expense for the Company's defined contribution plans is $1,761,000 (2002; $1,566,000).

13. SEGMENTED INFORMATION

(A) GENERAL INFORMATION The Company operates within two distinct business units: the Primary Group and the Marketing and Value Added Group. This structure supports a customer and product management focus, decentralized decision-making, and financial transparency. Both business units have specific activities and mandates with the common goal of providing the best products and value to all FPI customers.

The Primary Group manages the Company's harvesting, primary processing, and international sales and marketing of seafood.

The Marketing and Value Added Group manages the Company's value added processing operations, global seafood sourcing, and culinary research and development, and is also the Company's North American sales and marketing arm.

The Company evaluates performance and allocates resources based on segment gross profit. All inter-segment transactions are recorded at an exchange amount and are eliminated upon consolidation.

13. SEGMENTED INFORMATION (CONTINUED)

(B) SEGMENTED OPERATIONS AND ASSETS

	2003		
	Primary Group	Marketing and Value Added Group	Consolidated
Total sales			
Canada	$ 232,162	134,135	366,297
Inter-segment	(98,563)	(23,338)	(121,901)
	133,599	110,797	244,396
United States	65,148	374,751	439,899
Inter-segment	(499)	(2,241)	(2,740)
	64,649	372,510	437,159
Europe	73,231	4,157	77,388
Net sales to external customers	271,479	487,464	758,943
Gross profit	$ 31,640	50,948	82,588
Capital expenditures	$ 56,732	9,491	66,223
Amortization of capital assets	$ 8,760	2,859	11,619
Total assets	$ 260,475	150,043	410,518

	2002		
	Primary Group	Marketing and Value Added Group	Consolidated
Total sales			
Canada	$ 217,400	126,059	343,459
Inter-segment	(89,115)	(20,454)	(109,569)
	128,285	105,605	233,890
United States	72,146	346,620	418,766
Inter-segment	(649)	(2,611)	(3,260)
	71,497	344,009	415,506
Europe	66,080	4,603	70,683
Net sales to external customers	265,862	454,217	720,079
Gross profit	$ 27,137	57,169	84,306
Capital expenditures	$ 23,327	3,319	26,646
Amortization of capital assets	$ 7,095	2,782	9,877
Total assets	$ 223,958	163,540	387,498

13. SEGMENTED INFORMATION (CONTINUED)

(C) NET SALES TO CUSTOMERS BY PRODUCT CATEGORY

	2003	2002
Primary Group		
Primary processed product		
Groundfish	$ **67,032**	55,262
Shellfish	**132,296**	140,054
Other	**3,631**	2,869
	202,959	198,185
Globally sourced product		
Groundfish	**16,921**	22,369
Shellfish	**47,718**	43,438
Other	**3,881**	1,870
	68,520	67,677
	271,479	265,862
Marketing and Value Added Group		
Value added product		
Groundfish	**158,112**	178,819
Shellfish	**76,857**	61,625
	234,969	240,444
Globally sourced product		
Shellfish	**198,866**	170,815
Other	**53,629**	42,958
	252,495	213,773
	487,464	454,217
Total sales	$ **758,943**	720,079

(D) CAPITAL ASSETS BY GEOGRAPHIC AREA

	2003	2002
Canada	$ **136,316**	94,625
United States	**16,245**	15,608
Europe	**6**	20
	$ **152,567**	110,253

14. EARNINGS PER COMMON SHARE

in thousands, except per share amounts		2003	2002
Net income	$	**1,661**	13,771
Basic			
Average number of common shares outstanding		**15,392**	15,395
Per share amount	$	**0.11**	0.89
Diluted			
Average number of common shares outstanding		**15,392**	15,395
Impact of outstanding stock options		**–**	–
		15,392	15,395
Per share amount	$	**0.11**	0.89

Common shares totaling 1,098,500 (2002: 878,000) shares, issuable under the terms of the Company's stock option plans, have not been included in the calculations of diluted earnings per share for the years ended December 31, 2003, and December 31, 2002, as their effect is anti-dilutive.

The following table presents pro-forma net income, earnings per share, and diluted earnings per share using the fair value method of accounting for stock-based compensation. The pro-forma adjustments presented below pertain to awards granted on or after January 1, 2002, but before January 1, 2003. Starting January 1, 2003, the Company changed its accounting policy with respect to stock options granted to employees as described in note 1.

in thousands, except per share amounts		2003	2002
Net income for the year	$	**1,661**	13,771
Pro-forma adjustments		**(218)**	(145)
Pro-forma net income for the year	$	**1,443**	13,626
Basic			
Weighted average number of common shares outstanding		**15,392**	15,395
Pro-forma earnings per share amount	$	**0.09**	0.89
Diluted			
Weighted average number of common shares outstanding		**15,392**	15,395
Impact of outstanding stock options		**–**	–
		15,392	15,395
Pro-forma diluted earnings per share amount	$	**0.09**	0.89

14. EARNINGS PER COMMON SHARE (CONTINUED)

The fair value of each option granted is estimated on the date of grant using the Black-Scholes option pricing model with weighted average assumptions used for grants, as presented to the right.

Assumption	
Dividend yield	2.0%
Expected volatility	29.1%
Risk-free interest rate	5.25%
Expected life	7.5 years

15. COMMITMENTS AND CONTINGENCIES

(A) OPERATING LEASES The Company has long-term lease agreements for certain cold storage facilities, office space, computer operating systems, and equipment, the latest of which expire in 2009. These leases generally contain renewal options for periods ranging from one year to five years and require the Company to pay all executory costs such as maintenance and insurance. Future minimum lease payments (excluding executory costs) under these operating leases for the next five years will be approximately as follows:

2004	$	3,738
2005		3,398
2006		3,129
2007		1,594
2008		893
Thereafter		76

(B) LETTERS OF CREDIT The Company has letters of credit outstanding as at December 31, 2003, of USD $15,700,000 (2002; USD $8,690,000) related to the procurement of inventories, and DKK 7,360,000 (2002; DKK nil), and €471,000 (2002; €nil); related to a vessel currently under construction.

(C) GUARANTEES As at December 31, 2003, the Company has guaranteed vessel loans of third parties in the amount of $90,000 (2002; $1,065,000). The Company has also guaranteed $667,000 of a marine mortgage of a joint control entity. The marine mortgage is secured by a vessel which has a carrying value of $3,862,000.

(D) CAPITAL ASSET COMMITMENTS As at December 31, 2003, the Company has $9,850,000 (2002; $1,800,000) in outstanding commitments for various ongoing capital projects.

16. FINANCIAL INSTRUMENTS

FORWARD EXCHANGE AND OPTION CONTRACTS At December 31, 2003, the Company held the following in forward exchange and option contracts:

Currency	Outstanding December 31, 2003	To Expire 2004	Average Exchange Rate	To Expire 2005	Average Exchange Rate
Hedge contracts					
USD sale	63,200	40,200	0.692	23,000	0.726
USD purchase	4,936	4,936	0.746	–	–
EUR sale	660	660	1.65	–	–
GBP sale	300	300	2.43	–	–
Non-hedge contracts					
USD sale written options	2,400	2,400	0.702	–	–
USD sale purchased options expandables	13,000	1,000	0.687	12,000	0.723
USD sale written options expandables	26,000	2,000	0.687	24,000	0.723
USD sale written options knock-in	10,000	–	–	10,000	0.755

16. FINANCIAL INSTRUMENTS (CONTINUED)

FORWARD EXCHANGE AND OPTION CONTRACTS (CONTINUED)

Mark-to-market exchange gains associated with contracts outstanding at December 31, 2003, amount to $6,857,000 (2002; $1,103,000 loss).

Unrealized gains and losses associated with contracts that do not qualify as hedges are included in accounts receivable, other assets, and accounts payable and accrued liabilities based on their nature and are marked-to-market each period. During 2003, the Company reported $508,000 of income as a result of marking-to-market its non-hedge contracts.

Subsequent to year end, the Company purchased forward exchange contracts for 2004 to hedge an additional €9,735,000 at an average exchange rate of 1.66 and £3,750,000 at an average exchange rate of 2.45. The Company has also purchased forward exchange contracts for 2005 to hedge an additional €550,000 at an average exchange rate of 1.67 and £750,000 at an average exchange rate of 2.42. Also, the Company entered into a USD sale written options knock-in for USD $10,000,000 with a maturity date in 2005 and a strike price of 0.78.

INTEREST RATE RISK MANAGEMENT During 2003, the Company entered into interest rate swap agreements in order to manage the risk associated with interest rate movement on floating rate debt. As at December 31, 2003, the Company has outstanding interest rate swaps to hedge both short-term borrowings and long-term debt.

Notional	Currency	Rate	Mark-to-Market	Expiry Date
($)			($)	
Short-term borrowings				
10,000	USD	2.10%	(36)	July 1, 2004
Long-term debt				
17,195	USD	3.65%	(367)	May 9, 2008
27,788	CAD	4.93%	(1,139)	May 9, 2008
5,515	CAD	5.14%	(253)	June 30, 2008
11,233	CAD	5.09%	(494)	June 30, 2008

The mark-to-market amounts represent the amount that would be paid by the Company if the transactions were terminated at December 31, 2003. For the year ended December 31, 2003, net interest expense from interest rate swaps amounted to $1,235,000 (2002; interest income $41,000).

The Company has entered into a 4.65% bond forward with a notional amount of USD $12,200,000 to fix the interest rate on term financing anticipated to be drawn on March 31, 2004, pertaining to the construction of a factory freezer trawler. The bond forward establishes an effective interest rate on the financing of 6.15%.

HEDGING DERIVATIVES In accordance with the Company's risk management strategy, FPI enters into various derivative contracts to hedge interest rate and foreign currency exposures.

In order for a derivative to qualify as a hedge, the hedge relationship must be designated and formally documented at its inception, detailing the particular risk management objective and strategy for the hedge and the specific asset, liability, or cash flow being hedged, as well as how effectiveness is being assessed. Changes in the fair value of the derivative must be highly effective in offsetting either changes in the fair value of on-balance sheet items or changes in the amount of future cash flows. Hedge effectiveness is evaluated at the inception of the hedge relationship and on an ongoing basis, both retrospectively and prospectively, using critical terms method and quantitative statistical measures of correlation. If a hedge relationship is found to be no longer effective, the derivative is no longer designated as a hedge. If the designated hedged item matures or is sold, extinguished, or terminated, the derivative is reclassified with subsequent changes in fair value being reported in income on a mark-to-market basis.

CREDIT RISK The Company is exposed to credit risk with respect to accounts receivable from customers. The Company has credit evaluation, approval, and monitoring processes intended to mitigate potential credit risks and maintains provisions for potential credit losses that are assessed on an ongoing basis.

17. SUPPLEMENTAL CASH FLOW INFORMATION

		2003	2002
Cash paid during the year for:			
Interest	$	**6,793**	4,628
Income taxes		**1,840**	9,227

Included in the Company's cash balance of $9,954,000 as at December 31, 2002, is a restricted amount of $2,875,000, the Company's proportionate amount of restricted cash of a joint control entity (note 4).

18. COMPARATIVE FIGURES

Certain amounts for 2002 have been reclassified to conform with the presentation adopted for 2003.

FIVE-YEAR FINANCIAL SUMMARY[1]

Years ended December 31, (Reference should be made to the Company's consolidated financial statements and notes thereto.)

dollars in thousands, except for per share data and statistics	**2003**	2002	2001	2000	1999
Income statement					
Sales	**$ 758,943**	720,079	687,264	708,855	693,660
Cost of goods sold	**676,355**	635,773	609,278	625,522	619,218
Gross profit	**82,588**	84,306	77,986	83,333	74,442
Commission income	**4,981**	4,225	3,414	3,676	3,738
	87,569	88,531	81,400	87,009	78,180
Administrative and marketing expenses	**51,293**	51,323	46,494	47,574	45,784
Amortization	**11,619**	9,877	9,806	9,030	9,667
Interest	**8,059**	5,797	6,812	6,742	7,146
Provisions[2]	**11,204**	–	–	–	–
Unusual items	**-**	–	14,543	–	965
Income before taxes	**5,394**	21,534	3,745	23,663	14,618
Income taxes	**3,733**	7,763	4,445	9,615	6,404
Net income (loss)	**$ 1,661**	13,771	(700)	14,048	8,214
Financial position					
Working capital	**$ 100,266**	116,287	116,416	133,276	119,270
Capital assets	**152,567**	110,253	96,617	93,622	94,632
Total assets	**410,518**	387,498	344,696	324,085	327,463
Long-term debt (net of current portion)	**96,347**	55,607	55,821	62,275	62,323
Shareholders' equity	**185,250**	200,958	192,313	192,904	179,775
Cash flows					
Cash provided by operating activities	**$ 17,778**	5,912	5,674	27,929	37,031
Additions to capital assets	**66,223**	26,646	14,874	8,322	14,101
Repayment of long-term debt	**53,440**	11,523	11,359	8,439	8,132
Issue of long-term debt	**95,445**	14,460	3,063	10,000	15,000
Repurchase of common shares	**455**	67	2,235	3,141	822
Dividends paid	**3,079**	2,771	2,729	2,157	1,822
Share information					
Per share ($):					
Basic earnings	**0.11**	0.89	(0.05)	0.93	0.54
Diluted earnings	**0.11**	0.89	(0.05)	0.89	0.47
Dividends	**0.20**	0.18	0.18	0.14	0.12
Book value	**12.04**	13.05	12.70	12.77	11.90
Weighted average number of shares outstanding (000s)	**15,392**	15,395	15,143	15,103	15,108
Statistics					
Current ratio	**1.8:1**	1.9:1	2.2:1	2.9:1	2.4:1
Long-term debt (net of current portion) as a % of capital structure	**34.2**	21.7	22.5	24.4	25.7
Number of active vessels	**12**	21	20	20	18
Number of active plants	**10**	10	10	10	10
Landings (tonnes):					
Groundfish	**23,500**	22,200	24,900	26,300	21,400
Shellfish	**18,700**	22,700	22,300	27,100	26,300
Other	**1,000**	1,500	700	800	1,500
Total	**43,200**	46,400	47,900	54,200	49,200
Global sourcing highlights (tonnes):					
Groundfish	**21,100**	17,900	18,000	17,800	18,500
Warmwater shrimp	**15,800**	12,500	11,300	10,300	12,200
Value added production (tonnes)	**29,700**	28,800	29,900	29,000	29,300

Note (1): Certain amounts for prior years have been reclassified to conform with the presentation adopted for 2003
Note (2): Provisions consist of a $6,133 provision for fleet rationalization and a $5,071 provision for pension curtailment and other assets

Governance of the Company is the responsibility of the Board of Directors, which is committed to maintaining and enhancing FPI's high standards of corporate governance. The Board actively monitors current developments in corporate governance, including recent proposals published by Canadian securities regulators which describe and recommend disclosure of best corporate governance practices. The Board believes it conforms, in all material respects, with the corporate governance guidelines adopted by the Toronto Stock Exchange. The complete statement of FPI's corporate governance practices is included in the Management Proxy Circular, prepared for the Annual and Special Meeting of shareholders to be held on May 11, 2004. The Circular was mailed concurrently with this Annual Report and is also available on the Company's website, www.fpil.com, or through the SEDAR website maintained by Canadian securities regulatory authorities at www.sedar.com. An overview of the Company's approach to corporate governance is described below.

BOARD OPERATION AND INDEPENDENCE

The mandate of the Board is to supervise the management of the business and affairs of the Company with the objective of enhancing shareholder value. The Board is charged with a number of responsibilities including:

- actively participating in the development of strategic and operating plans;
- financial goal setting;
- identifying key risks and effectively managing such risks;
- approving the financial statements;
- reviewing and approving capital expenditures;
- overseeing shareholder communications;
- ensuring the Company is proactive and conforms with evolving corporate governance best practices;
- reviewing the integrity of the Company's internal controls;
- overseeing management information systems;
- management succession planning;
- reviewing and implementing the Company's dividend policy; and
- developing the Company's policies relating to environmental matters.

To maintain independence from management, Board policy requires that the Chief Executive Officer is the only member of management who may serve on the Board. In 2003, all other Board members were independent and unrelated within the guidelines of the Toronto Stock Exchange, meaning that the director is independent of management and is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act with a view to the best interests of the Company, other than interests and relationships arising from shareholding. As a result, each Board Committee is comprised entirely of unrelated directors.

BOARD COMMITTEES

Certain duties have been delegated to four committees of the Board, namely: (i) The Audit Committee; (ii) The Resources Committee; (iii) The Corporate Governance Committee; and (iv) The Growth and Investment Committee.

SHAREHOLDER COMMUNICATIONS

The Board strives to ensure the Company has effective communications with shareholders. The Board has established procedures to ensure that shareholders and other interested persons can obtain information about the Company in a timely and efficient manner.

SHAREHOLDER COMMUNICATIONS (CONTINUED)

The Company has introduced an enhanced website, providing shareholders and potential investors with easy access to current Company information such as press releases, annual reports, and continuous disclosure documents, including annual and quarterly financial statements and management discussion and analysis, annual information forms, and management proxy circulars. The Company also releases its annual and quarterly results through a previously announced webcast, thereby providing an open medium to shareholders which allows questions to be asked directly to senior management.

FPI is committed to effective corporate governance. For a full description of the Company's corporate governance practices and procedures, reference should be made to the Company's 2004 Management Proxy Circular.

SUMMARY OF QUARTERLY DATA

			Quarter				
dollars in thousands, except per share			First (unaudited)	Second (unaudited)	Third (unaudited)	Fourth (unaudited)	Total (audited)
FISCAL 2003	**Sales**	**$**	**172,122**	**172,668**	**213,264**	**200,889**	**758,943**
	Net income (loss)		**880**	**(185)**	**6,572**	**(5,606)**	**1,661**
	Net income (loss) per share:						
	Basic		**0.06**	**(0.01)**	**0.42**	**(0.36)**	**0.11**
	Diluted		**0.06**	**(0.01)**	**0.42**	**(0.36)**	**0.11**
FISCAL 2002	Sales	$	174,102	165,826	182,471	197,680	720,079
	Net income		4,185	1,203	3,494	4,889	13,771
	Net income per share:						
	Basic		0.27	0.08	0.23	0.31	0.89
	Diluted		0.27	0.08	0.23	0.31	0.89

PRICE RANGE OF SHARES

The common shares of FPI Limited trade on the Toronto Stock Exchange under the symbol "FPL". The following table sets forth, for each quarter of 2003, the volume traded and the high, low, and closing sale price of the common shares as reported by the Toronto Stock Exchange (prices in dollars):

Quarter	Volume	High	Low	Close
First	738,145	8.99	8.00	8.40
Second	1,379,675	9.00	8.05	8.15
Third	225,468	8.40	8.05	8.07
Fourth	188,278	8.90	8.06	8.55

INVESTOR INFORMATION

Financial and other information about the Company, including annual and quarterly reports, annual information forms, and press releases are available electronically on FPI's corporate website, www.fpil.com, or through SEDAR at www.sedar.com. Alternatively, such information can also be obtained by contacting:

Bernard E. Beckett
Chief Financial Officer, Treasurer and Corporate Secretary
FPI Limited
70 O'Leary Avenue
P.O. Box 550, St. John's
Newfoundland and Labrador A1C 5L1
Tel: (709) 570-0250
Fax: (709) 570-0209
E-mail: bbeckett@fpil.com

DIVIDENDS

In 2003, the Board declared a quarterly dividend of $0.05 per share (annual rate of $0.20 per share) that was paid in each of March, June, September, and December.

REGISTRAR AND TRANSFER AGENT

Requests for information concerning lost share certificates, address changes, or other shareholder account enquiries should be directed to FPI's registrar and transfer agent:

Computershare Trust Company of Canada
100 University Avenue, 9th Floor
Toronto, Ontario M5J 2Y1
Tel: 1-800-564-6253
(toll free North America – Int'l 514-982-7555)
Fax: 1-888-453-0330
(toll free North America – Int'l 416-263-9524)
E-mail: service@computershare.com
Website: www.computershare.com

STOCK EXCHANGE

The Toronto Stock Exchange Symbol: FPL

CORPORATE DIRECTORY

BOARD OF DIRECTORS

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St. John's, Newfoundland and Labrador
President and Chief Executive Officer
Anthony Holdings Ltd.

Eric F. Barratt
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Vice President of Development
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President
Icelandic Group Plc.

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Vice President
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Treasurer and Corporate Secretary

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Chief Operating Officer
Marketing and Value Added Group

Graham M. Roome
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Chief Operating Officer
Primary Group

Derrick H. Rowe
Chief Executive Officer

**effective January 1, 2004*

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International Limited

Fishery Products
International, Inc.

Fishery Products
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FORWARD-LOOKING STATEMENTS

This Annual Report contains, in accordance with applicable Canadian securities laws and policies, certain forward-looking information about the Company's business and anticipated trends and developments. Such disclosure amounts to forward-looking statements, which is subject to significant risks and uncertainties. These forward-looking statements arise out of management's experience, perception of trends, current conditions, and expected future developments, as well as other factors.

Readers are cautioned not to place undue reliance on forward-looking statements, as a number of important factors, as discussed herein and in the Company's other continuous disclosure documents, could cause actual results to differ materially from historical results and from the results contemplated by such forward-looking statements. The Company includes in publicly available documents, filed from time to time with Canadian securities regulatory authorities, a thorough discussion of the risk factors that could cause the Company's anticipated outcomes to differ from actual outcomes.

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